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The audit function in the United Nations system

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the report of the Joint Inspection Unit entitled "The audit function in the United Nations system" (JIU/REP/2010/5).

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THE AUDIT FUNCTION IN THE UNITED NATIONS SYSTEM

Prepared by

M. Mounir Zahran
Nikolay V. Chulkov
Tadanori Inomata

Joint Inspection Unit

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EXECUTIVE SUMMARY

The audit function in the United Nations system
JIU/REP/2010/5

As part of its programme of work for 2010, the Joint Inspection Unit (JIU) conducted a review of **the audit function in the United Nations system organizations**. The objective of the present report is to contribute to improving system-wide coherence among the competent entities dealing with the audit function, whether internal or external, in line with professional standards for the practice of the profession, as applicable to the United Nations.

Main findings and conclusions

Significant progress has been achieved in enhancing the audit function at the United Nations organizations in the past 10 years in response to demands for higher scrutiny, transparency and accountability. The present review confirms that Member States and managers have dedicated increasing time and resources to strengthen the audit oversight function and that there is a notable improvement in the scope, coverage and effectiveness of the audit activity. Notwithstanding the progress achieved, the Inspectors found, in the course of this review, that the audit function still lacks system-wide coherence and coordination. Many organizations need to improve independence, capabilities, resources and processes in order to overcome a number of performance gaps and to bring the value delivered closer in line with stakeholders' expectations.

The review identified the major challenges/constraints faced by **internal audit/oversight** heads as: the follow-up and implementation of audit recommendations; resources; auditing the "One United Nations"; coordination with other oversight bodies; and independence. Additional constraints relate to the authority, centralization/decentralization, structure, planning, reporting and quality assessment of the internal audit activity and the performance and competence of internal auditors. Other challenges were the lack of accountability and sanctions against those who are responsible for the non-implementation of recommendations.

The internal audit function has been institutionalized at all but one organization. The review found that the organizational structure of the function could be improved in organizations using entity-based risk assessment by grouping audit together with other internal oversight services and decentralizing some internal auditors to field duty stations where appropriate, bringing them closer to audit operations as necessary. In terms of authority, the Financial Regulations and Rules for internal audit do not reflect the evolution of the internal audit function nor of the oversight function in general. They are not comprehensive enough in defining the purpose, authority and responsibilities of internal auditors. Independence of the internal audit is another major issue. Threats and interferences were found, notably in the internal audit planning, work performance and communicating results processes, in the selection of the internal audit/oversight head and audit staff, in the budget approval, and in access to records, personnel and assets. The potential for conflict of interests may arise in cases such as the performance of consulting services by auditors, the lack of provisions to bar the audit/oversight head from subsequent appointments to job positions within the organization and in cases where their tenure is unlimited. The term of office of the internal audit/oversight head varies from a renewable term of two years to a non-renewable term of five years. As for competency, professional certifications in audit or accounting are not required at more than half of the organizations. Some managers complain about the difficulty to find competent auditors, particularly at the field level. Formal quality assurance is vital. Improvement programmes

were not in place at half of the internal audit services. In order to increase accountability and transparency, the review confirmed the need for improvement in communicating audit results, as not all internal audit/oversight heads directly submit annual summary reports of their activities to the legislative/governing bodies, and seven organizations do not authorize the disclosure of individual audit reports upon request by member States for at least in-site reading. The follow-up systems in place for implementing audit recommendations vary in terms of refinement and effectiveness: only a few organizations have implemented on-line systems; the frequency of follow-up on implementation varies from quarterly to annually; follow-up audits are not always regularly conducted.

Challenges were also identified for the **external auditors**: two more critical issues were identified in the selection process and the performance assessment of external auditors. Regarding independence, the review confirmed that the external audit function is indeed more independent and better safeguarded from management interference than is the internal audit function.

The selection process of external auditors lacks the necessary degree of competitiveness, thus resulting in issues related to competency and diversification of candidates. A select few and often the same supreme audit institutions (SAIs) are recurrently chosen and engaged simultaneously at several organizations, which could weaken the effectiveness of the function. At four organizations, SAIs from the host country are selected, which may create a potential conflict of interest, and at three organizations SAIs do not have limited terms of office and have been providing services for many years. In terms of performance assessment of external auditors, the Inspectors found that the United Nations system organizations had not set up relevant requirements and some audit committees do not have it in their purview, contrary to best practices. This issue is linked to the way the financial regulations and rules are drafted. At some organizations, the mandate/audit engagement of external auditors needs to be reviewed and priority must be given to financial statement certification audits, particularly in line with the introduction of the International Public Sector Accounting Standards (IPSAS), which requires annual reporting. In performing the audit work, the lack of implementation of adequate handover procedures between departing and new SAIs and the short period of time given to review the financial statements at some organizations are issues of concern.

The review found that the recent establishment of **audit/oversight committees** with an advisory role to management and legislative bodies is a major step towards improving the audit/oversight function at United Nations system organizations. Yet, five organizations have not established them. In terms of coverage, several audit/oversight committees focus mainly on the audit activity, particularly on internal audit. With regard to their composition, at three organizations membership is internal, contrary to best practices. Some have too many members and others lack balanced geographical and gender representation; several, however, are composed of skilled and experienced external experts. The frequency of meetings in some instances is less than desirable. Their performance is not always independently evaluated. Follow-up on the implementation of the committee's recommendations and reporting on the committee's activities need improvement.

The Inspectors could confirm that internal and external auditors and audit committees work best and can better contribute to the governance processes of the organization when they maintain a fluent and objective relationship with each other, as well as with management. Regrettably, effective system-wide **cooperation and coordination** among these groups still has a long way to go. Among internal auditors, it occurs regularly though progressively at the bilateral and system-wide levels and at different phases of the audit process. The limited joint audit engagements undertaken in recent years in response to the One United Nations Initiative have indeed proven challenging as has a practical "One United Nations internal audit" solution where it is needed. Within this context, the annual meeting of Representatives of Internal Audit Services of the United Nations Organizations and

Multilateral Financial Institutions and Associated International Organizations (RIAS) and meetings of the Panel of External Auditors contributed to improving overall coordination to share information, experiences, best practices and lessons learned. While the coordination among internal auditors appeared to be more frequent and effective than the coordination between internal and external auditors, the coordination among audit/oversight committees has been only ad hoc and should be regularized to ensure the sharing of experience, information and practice.

Finally, the Inspectors were concerned about the adherence to the single audit principle and suggest that external auditors, audit/oversight committees and legislative/governing bodies should be informed of all third-party verifications, to avert a misunderstanding of what a working single audit entails.

Recommendations

The present report contains 18 major recommendations which, if implemented, would lead to enhancing the efficiency and effectiveness of the audit function in the United Nations system organizations. Regarding the **internal audit/oversight** function, these recommendations include the authority and responsibility of the internal auditors (recommendation 1), ways to improve the independence and status of the function (recommendations 2, 3 and 4), , their competency and professional quality (recommendation 5), the risk-based needs assessment and work planning process (recommendation 6), the review of the audit resources (recommendation 7), the accountability, transparency and comprehensiveness of the internal auditors' reporting (recommendation 8), the follow-up systems on implementation of recommendations (recommendation 9) and the assessment of the internal audit function (recommendation 10). Recommendations regarding **external auditors** focus on the review of their performance/mandate (recommendation 11), competitiveness, need for rotation and diversification of the selection process (recommendation 12) and the timeliness, transparency and accountability of its reporting process (recommendation 13) and their role in the implementation of the single audit principle (recommendation 14). The last four recommendations concern the **audit/oversight committees**, including their mandate/scope (recommendations 15 and 16), their composition and selection (recommendation 17) and the independence, transparency and accountability of their reporting (recommendation 18).

Recommendations for consideration by legislative/governing organs

- **Recommendation 3**: **The legislative/governing bodies should direct the executive heads of the United Nations system organizations concerned to facilitate the submission of the internal audit planning and audit results to the audit/oversight committees, where appropriate, for the latter's review.**

- **Recommendation 7**: **To enhance efficiency, the legislative/governing bodies at the organizations concerned should direct executive heads to review audit staffing and the budget prepared by the internal audit/oversight head, taking into consideration the views of the audit/oversight committees, where appropriate, and should suggest to the executive heads an appropriate course of action, to ensure that the audit function is adequately resourced to implement the audit plan.**

- **Recommendation 8: To enhance accountability and transparency, the legislative/governing bodies concerned should require the internal audit/oversight head to submit to them, annually in writing, his or her report on the results of the audit activity and to publish such annual reports on the organizations' websites. The annual reports should refer to the implementation of the audit plan, major risks, the audit ranking of the audited entities, governance and control issues, key findings, recommendations and implementation of prior outstanding recommendations, as well as to any independence, resources or other issues that impact negatively on the effectiveness of the audit activity.**

- **Recommendation 10: To ensure transparency and accountability, the legislative/governing bodies at the United Nations system organizations concerned should ensure that internal audit is subject to independent external quality assessment or self-assessment with external independent validation in line with Institute of Internal Auditors (IIA) standards every five years and should ascertain that corrective action is taken to bring the internal audit activity into general conformity with IIA standards.**

- **Recommendation 11: The legislative bodies should request the independent audit/oversight committees at United Nations system organizations to review the performance and mandate/audit engagement of external auditors at least every five years, in consultation with the executive heads, and to submit the outcome of such review to the legislative/governing bodies as part of their annual report.**

- **Recommendation 12: The legislative bodies of the United Nations system organizations should, after consulting the independent audit/oversight committee, select an external auditor among competitive and interested supreme audit institutions (SAIs) for a term of four to six years, not immediately renewable. Candidacies should be screened by a subsidiary committee of the legislative/governing body against established criteria/requirements, including rotation and geographical representation.**

- **Recommendation 13: To enhance accountability and transparency, the legislative/governing bodies should require that the financial statements be finalized no later than three months after the end of the financial period to enable the external auditor to submit his/her report, first to the audit/oversight committee and then, no later than six months after the end of the financial period, to the legislative/governing body, and to have it published on the website of the organization.**

- **Recommendation 14: The legislative/governing bodies in the United Nations system organizations should direct the executive heads at each organization to inform them of all third-party audit/verification requests, after consulting the audit/oversight committees and the external auditors.**

- **Recommendation 15: To enhance accountability, controls and compliance, the legislative bodies should revise the mandates of audit/oversight committees to include the review of both internal and external auditors' performance as well as other responsibilities, including governance and risk management.**

- **Recommendation 16: The legislative bodies should require that the charter of the audit/oversight committees be reviewed regularly, at least every three years, and any change be submitted for the approval of the legislative bodies.**

- **Recommendation 17: The legislative/governing bodies should elect/appoint the audit/oversight committee members, the number of whom should vary between five and seven members, with due regard to professional competency, geographical distribution and gender balance so as to represent the governing bodies' collective interests. The candidates should be screened by a committee, unless the audit/oversight committee is a subcommittee of the legislative/governing bodies, to ensure compliance with the said requirements, including independence before their appointment.**

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ABBREVIATIONS

AAC	Audit Advisory Committee
ACC	Administrative Committee on Coordination
BoA	United Nations Board of Auditors
CEB	United Nations System Chief Executives Board for Coordination
CFE	Certified Fraud Examiner
CIA	Certified Internal Auditor
CISA	Certified Information Systems Auditor
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPA	Certified Public Accountant
DOS	Division for Oversight Services
DPKO	Department of Peacekeeping Operations
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
FAFA	Financial and Administrative Framework Agreement
FAO	Food and Agriculture Organization of the United Nations
FRR	Financial Regulations and Rules
IAAC	Independent Audit Advisory Committee
IAASB	International Auditing and Assurance Standards Board
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
IFAC	International Federation of Accountants
IFAD	International Fund for Agricultural Development
IFRC	International Federation of Red Cross and Red Crescent Societies
IIA	Institute of Internal Auditors
ILO	International Labour Organization
IMF	International Monetary Fund
IMO	International Maritime Organization
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
ITU	International Telecommunication Union
JIU	Joint Inspection Unit
MDTF	Multi-donor trust fund
OAI	Office of Audit and Investigations
OECD	Organization for Economic Cooperation and Development
OIA	Office of Internal Audit
OIOS	Office of Internal Oversight Services
PEA	Panel of External Auditors
PAHO	Pan American Health Organization
RB	Regular budget
RIAS	Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions and Associated International Organizations
SAI	supreme audit institutions
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	Office of the United Nations High Commissioner for Refugees

UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNODC	United Nations Office on Drugs and Crime
UNOPS	United Nations Office for Project Services
UN-RIAS	Representatives of internal audit services of United Nations organizations
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UPU	Universal Postal Union
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization
WTO	World Trade Organization
XB	Extrabudgetary resources

I. INTRODUCTION

A. Objectives, scope and methodology

1. As part of its programme of work for 2010, the Joint Inspection Unit (JIU) conducted a review of **the audit function in the United Nations system organizations**. The objective of the present report is to contribute to bringing system-wide coherence among the competent entities dealing with the audit function, whether internal or external, in line with professional standards for the practice of the profession, as applicable to the United Nations. To this end, the report reviews the performance of the internal and external audit activity, the oversight/audit committees, and the implementation of the single audit principle; it assesses the interrelationship between the various audit entities and their relationship with the management and legislative/governing bodies; it identifies trends, gaps and duplications and it highlights lessons learned and best practices to be replicated in order to enhance the coherence, credibility, efficiency and effectiveness of the audit function system-wide.

2. The present report builds on the outcome of previous JIU reports[1] on accountability and oversight in the United Nations system organizations which dealt, inter alia, with the audit function.

3. In accordance with the JIU internal standards and guidelines and internal working procedures, the methodology followed in preparing this report included the preparation of terms of reference and a work plan, a preliminary desk review of documentation available, sampling of reports, interviews and questionnaires and in-depth analysis of information collected.

4. The team conducted more than 60 interviews in person and via teleconference with the internal audit/oversight heads, external auditors from supreme audit institutions (SAIs) and private audit firms (KPMG, PricewaterhouseCoopers) and with the chairs of oversight/audit committees of United Nations system participating organizations, other United Nations and related organizations (Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization, International Fund for Agricultural Development (IFAD), International Monetary Fund (IMF), the World Bank and the World Trade Organization (WTO)) and non-United Nations organizations (European Union, Global Fund, International Federation of Red Cross and Red Crescent Societies (IFRC), International Organization for Migration, Organization for Economic Cooperation and Development (OECD) and Organization for Security and Cooperation in Europe) in Amman, Bern, Brussels, Geneva, Montreal, Nairobi, New York, Paris, Rome, Vienna and Washington, D.C.

5. Confidential online questionnaires/surveys were designed to identify trends and systemic issues, which were sent to the heads of internal oversight/audit, the partner external auditors, the chairs of the audit/oversight committees, and the executive heads[2] at 21 United Nations organizations, 5 United Nations-related organizations and 7 non-United Nations organizations. The response rate was highly satisfactory for United Nations internal audit (100 per cent) and less satisfactory for audit committees (53 per cent) and external audit and executive heads (45 per cent). The Inspectors appreciate the contributions of the United Nations Office of Internal Oversight Services (OIOS), the United Nations Board of Auditors (BoA) and other members of the Panel of External Auditors (PEA).

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[1] "Accountability and oversight in the United Nations Secretariat" (JIU/REP/93/5); "Accountability, management improvement, and oversight in the United Nations" (JIU/REP/95/2); "More coherence for enhanced oversight in the United Nations system" (JIU/REP/98/2); "Enhancing governance oversight role" (JIU/REP/2001/4); "Oversight lacunae in the United Nations system" (JIU/REP/2006/2), and "Review of enterprise risk management in the United Nations system: Benchmarking Framework" (JIU/REP/2010/4).

[2] Only at United Nations organizations.

6. The review has been conducted on the basis of the International Professional Practices Framework, including the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA),[3] the International Standards of Supreme Audit Institutions (ISSAI) issued by the International Organization of Supreme Audit Institutions (INTOSAI)[4] and the International Standards on Auditing issued by the International Auditing and Assurance Standards Board (IAASB)[5] of the International Federation of Accountants (IFAC), to which both internal and external auditors adhered, as applicable. These standards are principles - mandatory requirements that provide a framework for performing and evaluating the audit functions towards improving organizational processes and operations.

7. Comments on the draft report were sought from all United Nations system organizations and other organizations participating in the interviews and surveys and taken into account in finalizing the present report. The findings and recommendations were also discussed at the forty-first Meeting of Representatives of Internal Audit Services of the United Nations Organizations, Multilateral Financial Institutions, and Associated International Organizations (RIAS), held from 15 to 17 September 2010 in Geneva. In addition, IIA was consulted on the draft report; the Institute assured JIU that the recommendations of the report are in alignment with the IIA International Professional Practices Framework.

8. In accordance with article 11.2 of the JIU statute, the present report has been finalized after consultation among the Inspectors so as to test its conclusions and recommendations against the collective wisdom of the Unit.

9. To facilitate the handling of the report and the implementation of its recommendations and the monitoring thereof, annex II contains a table indicating whether the report is submitted to the organizations concerned for action or for information. The table identifies those recommendations relevant for each organization, specifying whether they require a decision by the organization's legislative or governing body or can be acted upon by the organization's executive head, the internal audit head or the audit/oversight committee.

10. The Inspectors wish to express their appreciation to all who assisted them in the preparation of this report and in particular to those who participated in the interviews and surveys and so willingly shared their knowledge and expertise.

B. Background

11. Audit at the United Nations is a key oversight function[6] and as such a fundamental component of the governance structure set up by Member States to provide them with reasonable assurance that:

- The activities of the organizations are fully in accordance with legislative mandates
- The funds provided to the organizations are fully accounted for
- The activities of the organizations are conducted in the most efficient and effective manner

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[3] Established in 1941, IIA is the only professional organization dedicated to the practice of internal auditing, providing leading-edge guidance and certification, with more than 170,000 affiliates in more than 160 countries. See www.theiia.org.

[4] Founded in 1953, INTOSAI operates an umbrella organization for the external governmental audit community, providing an institutional framework for supreme audit institutions, with 189 full members and 4 associated members. It has consultative status with the Economic and Social Council. See www.intosai.org.

[5] Created in 1977, IFAC is a global organization for the accountancy profession, with 159 members and associates in 124 countries. Among its standard-setting boards, IAASB works to enhance the quality and uniformity of the audit practice, strengthening public confidence in the profession. See www.ifac.org/iaasb/.

[6] The oversight functions at the United Nations include audit, investigations, and inspection and evaluation.

- The staff and other officials of the organizations adhere to the highest standards of professionalism, integrity and ethics[7]

12. Member States assign responsibilities to each oversight function, including audit, on the basis of the level of assurance they wish to obtain. The Financial Regulations and Rules of the United Nations provide that the audit function is performed by both internal and external auditors, in accordance with the single audit principle.[8] Internal auditing is normally carried out by in-house staff, though it could be complemented with outside expertise, as necessary. External auditing is performed by selected supreme audit institutions of Member States. The BoA, comprising Auditors-Generals of three Member States/SAIs, provides external audit services for the United Nations and its funds and programmes, with the exception of the World Food Programme (WFP), which has its own external auditor/SAI. Each United Nations specialized agency and the International Atomic Energy Agency (IAEA) has its own Auditor-General of a Member State/SAI as external auditor. They are all grouped under the Panel of External Auditors.

13. Internal auditing in the United Nations system has followed the path of the audit profession, which has evolved significantly in the last 50 years. It evolved from a transaction-based and compliance function, located within the controller's department, for checking whether accounting operations were being correctly performed, towards a more independent and comprehensive value-added activity that helps an organization to achieve its objectives. As defined by IIA, it brings entities a "systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes". It contributes to the work of many audiences: first, the senior management of the organization; second, the audit committee and ultimately the board of directors or legislative/governing bodies; and also the public opinion at large, as a result of recent calls for greater transparency and accountability in handling taxpayer funds.

14. A major shift towards increased efficiency and effectiveness was experienced with the establishment of OIOS by the General Assembly[9] in 1994, which not only consolidated in one office the existing internal auditing, investigation, inspection, evaluation and programme monitoring of the United Nations Secretariat and some funds and programmes, headed by an Under-Secretary-General for Internal Oversight under the Secretary-General's authority,[10] but introduced direct reporting to the Member States for the first time as well.

15. In the United Nations system organizations, internal auditing has often been consolidated with other oversight functions, since it maintains a close relationship with investigation. While conducting an audit, the auditor may become aware of potential fraud, corruption and/or law violations. This information may lead to a possible investigation. Conversely, while performing an investigation, the investigator may identify weaknesses in procedures or controls leading to a possible audit. Although evaluations could seem distant from internal audit, they are independent reviews which provide information that can lead to additional audits and/or possible investigations.

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[7] JIU/REP/2006/2, para. 4.

[8] Different types of audit are carried out by internal auditors and external auditors for different purposes and for different stakeholders.

[9] Resolution 48/218 B.

[10] Including: the Secretariat in New York, Geneva, Nairobi and Vienna; the five regional commissions; the peacekeeping missions; the international tribunals: International Criminal Tribunal (ICT) and ICT for Rwanda; the International Court of Justice (ICJ); humanitarian operations and other entities in various parts of the world; assistance to funds and programmes administered separately under the authority of the Secretary-General at their request (such as Office of the High Commissioner for Human Rights, United Nations Office on Drug and Crime, UNHCR, United Nations Conference on Trade and Development, International Trade Centre, United Nations Environment Programme and United Nations Human Settlements Programme); other entities related to the United Nations, which have requested OIOS audit services (such as United Nations Joint Staff Pension Fund, United Nations Framework Convention on Climate Change, United Nations Convention to Combat Desertification). Source: OIOS/IAD Audit Manual, March 2009, p. 5.

16. Another important step was the proliferation during the last decade of internal audit/oversight committees as a governance tool in United Nations organizations, with diverse and evolving responsibilities and membership, comparable but not identical to those in the private sector.

17. External auditing in the United Nations system has mainly focused on the provision of assurance and opinion on the accounts and financial statements of the organizations. In fact, the methods of internal and external auditing should complement each other. Internal auditors have more in-depth knowledge of the organization than external auditors. Yet, unlike external auditors, they are not fully independent from management, despite the fact that they are supposed to be operationally independent.[11] Internal and external auditors should coordinate with each other and with the audit/oversight committees and other organizations' providers of assurance to increase synergies, avoid duplication and enhance their impact.

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[11] Jacques Renard, *Theorie et pratique de l'audit interne* (Paris, Editions d'Organisation, 2006), chap. 4.

II. INTERNAL AUDITING

A. Definition

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.[12]

18. In the United Nations system, the primary objective of internal auditing is to assist executive heads in fulfilling their management responsibilities vis-à-vis Member States and other stakeholders. In addition, internal auditing provides useful inputs to legislative/governing bodies.

B. Mapping of internal audit

19. All of the organizations reviewed have established an internal audit function, save one: the United Nations World Tourism Organization (UNWTO), which joined the United Nations system as a specialized agency in 2003. In this connection, in its review of management and administration in this organization, JIU recommended that the UNWTO General Assembly outsource the internal oversight function to any other organization in the United Nations system that has the capacity to respond, or alternatively provide the resources to create three positions to establish this function within the organization during the 2010-2011 biennium.[13] In the context of the current JIU review, UNWTO officials have indicated that the internal oversight function is in the process of being set up. The first step was to adopt an Internal Oversight Charter in June 2010. The second step is to establish detailed procedures for each of these functions as well as an internal oversight manual. The third step is to carry out a proposed Implementation Strategy and Plan for Internal Oversight. **The Inspectors expect that this approach will not delay the start-up of these functions, particularly as far as the internal audit is concerned**.

C. Nature of internal audit work

20. The internal audit activity should evaluate the governance, risk management and control processes of the organization. Indeed, 91 per cent of the United Nations organizations surveyed reported that they assessed control processes, 81 per cent assessed risk-management processes and 80 per cent assessed the governance processes. In particular, audits of the governance processes are carried out regularly (43 per cent) or occasionally (48 per cent) at the United Nations organizations. However, assessing the governance process for promoting ethics and values is given a higher priority among the United Nations-related and non-United Nations organizations surveyed (100 per cent).

D. Structure of the internal audit activity

21. Within the United Nations system, internal auditing is usually consolidated with other internal oversight functions; in all instances at least with investigation, except at the Office of the United Nations High Commissioner for Refugees (UNHCR),[14] but also with evaluation in 11 of 21 organizations reviewed (53 per cent), and with inspection in another 9 instances (43 per cent). Annex I shows that the combination

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[12] Institute of Internal Auditors Research Foundation, *International Professional Practices Framework (IPPF)* (Altamonte Springs, Florida, 2009), p. 2.

[13] JIU/REP/2009/1, recommendation 22.

[14] The Office of the United Nations High Commissioner for Refugees (UNHCR) has outsourced to OIOS the internal audit activity but has retained the investigation function, together with inspection, within the Inspector General's Office. CE/88/5a, para. 5.2.

of internal audit, investigation, evaluation and inspection differs from one organization to other. Only at the United Nations Secretariat, the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the World Intellectual Property Organization (WIPO) and the World Meteorological Organization (WMO), are all internal oversight functions grouped into one service. The advantages of a single consolidated oversight unit are greater flexibility, responsiveness, independence, credibility, accountability, better coordination and less overlap, significant economies of scale and enhanced professionalism.[15] The JIU, in its "oversight lacunae" report in particular, recommended that executive heads should review the structure of internal oversight and consolidate audit, inspection, investigation and evaluation in a single unit.[16] However, four years later, the picture remains unchanged. Several organizations have indicated that this model is not applicable to them, but rather to large/complex operations.

22. The audit function is typically centralized at the headquarters level of the organizations, regardless of whether these organizations have a large field presence or not. The review found that only four organizations have decentralized their audit operations: to other United Nations offices[17] (UN/OIOS), to regional offices (the Food and Agriculture Organization of the United Nations (FAO) and the United Nations Development Programme (UNDP)) and peacekeeping, humanitarian and emerging operations (UN/OIOS). UNHCR has resident auditors, depending on operational needs, but not organized on the same basis as in the regional offices.

23. OIOS developed the concept of "resident auditors" for peacekeeping, humanitarian and emerging operations based on the premise that they can add a higher value because of their proximity to and acquaintance with the audited operations. Their effectiveness is however subject to rigorous selection to ensure that they have the required competences and to regular rotation in order to safeguard their independence and ability to work in hardship conditions. In this regard, OIOS and UNDP, which have the highest number of outposted auditors (116 and 32 respectively), have brought to the Inspectors' attention the difficulty of finding qualified and competent candidates with the necessary language skills and background. Hence at OIOS, the vacancy rate was close to 20 per cent at the end of 2009 for extrabudgetary peacekeeping posts (A/64/326 (Part II), figure II). Such a high vacancy rate is not singular to the peacekeeping audit activity but is also observed in other field positions. In the view of the Inspectors, the implementation of the resident auditor concept may need some rethinking for improved effectiveness. This high vacancy rate has a negative impact on the level of assurance provided for these operations.

24. Usually, the internal audit activity focuses on the highest-risk areas in the conduct of headquarters audits and key-organization-wide activities/processes. In some organizations, field activities/offices are not equally audited with the same regularity. This was criticized by some of the managers interviewed. Not surprisingly, management expectations are higher when a team of auditors is based at their duty station.

25. Alternatively, some organizations subcontract local audit firms to increase their audit coverage: UNHCR to audit implementing partners, UNDP to audit projects[18] and, until 2009, FAO used such firms to audit some field offices. Subcontracting local audit firms has mixed results and is questionable even on efficiency grounds. Individual consultancies, where the audit service is accessing an individual's expertise, are often more effective than those belonging to audit firms.[19]

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[15] JIU/REP/2001/4 and JIU/REP/2006/2, para. 33.
[16] JIU/REP/2006/2, recommendation 6, p. 9.
[17] In Geneva and Nairobi.
[18] However, for nationally implemented projects, UNDP/Office of Audit and Investigation does not subcontract local audit firms for the audit of nationally implemented projects.
[19] This is the experience reported by the head of the Office of Internal Audit, Inspection and Management Control (AUD) at FAO.

E. Purpose, authority and responsibility

26. At the United Nations, the authority of internal auditing stems from General Assembly resolution 48/218B and subsequent related resolutions that provide a clear comprehensive audit mandate.

27. In most organizations, the financial regulations and rules (FRR) contain a provision on internal audit. For instance, at FAO, regulation X on internal control provides that the Director-General shall maintain an internal financial control and internal audit which shall provide an effective current examination and/or review of financial transactions in order to ensure: the regularity of the receipt, custody, and disbursement of all funds and other resources of the Organization; the conformity of commitments or obligations and expenditures with the appropriations or other financial provisions voted by the Conference, or with the purposes, rules and provisions relating to the fund concerned; and the economical use of the resources of the Organization.

28. Similarly, regulation 5.15 of the Financial Regulations and Rules of the United Nations (ST/SGB/2003/7) provides that internal auditors shall review, evaluate and report on the use of financial resources and on the effectiveness, adequacy and application of internal financial control systems, procedures and other relevant internal controls, and including elements such as compliance with rules and regulations and economical, efficient and effective use of resources.

29. As such, the mandate of internal auditing is confined to compliance with and use of resources or at best to enhancing the internal control process rather than improving the governance and risk management processes in accordance with IIA standards. The FRR should provide for full access to records, personnel and assets and for other safeguards regarding the terms of office of internal audit/oversight heads[20] and reporting procedures. It is important to have a satisfactory internal audit charter that should be approved by the member states and incorporated in the FRR.

30. It is in fact the internal audit/oversight charter that should formally define the internal audit activity's purpose, authority and responsibility. Having an internal audit charter is a professional requirement for all audit services. In the United Nations system, all organizations interviewed/surveyed have an audit charter, except OIOS. The Independent Audit Advisory Committee (IAAC) in its 2009 annual report (A/64/288, para. 24) recommended that the General Assembly consider requesting the Secretary-General to direct OIOS to prepare an internal oversight charter, bearing in mind the various General Assembly resolutions and Secretary-General's bulletins guiding the work of OIOS. The General Assembly has deferred its consideration of this item to the main part of its sixty-sixth session.[21]

31. According to IIA standards, the internal audit/oversight charter should establish the position of the internal audit within the organization, the scope of the audit activities, the unlimited access to records, personnel and assets and the nature and type of audits and any consulting services provided by internal auditors. The charter should also assert the mandatory nature of the internal audit activities as provided in the definition, the Code of Ethics and the IIA standards. In the views of the Inspectors, it is particularly important that the charter make a distinction between the internal audit function vis-à-vis external audit and other internal oversight functions, which is less frequently done. The two requirements more often included are the definition of internal audit and the access to records, personnel and assets.[22] Not all oversight charters at United Nations organizations completely fulfil all the above mentioned content requirements, as shown below and confirmed by a desk review of a sample of 33 per cent of existing charters.

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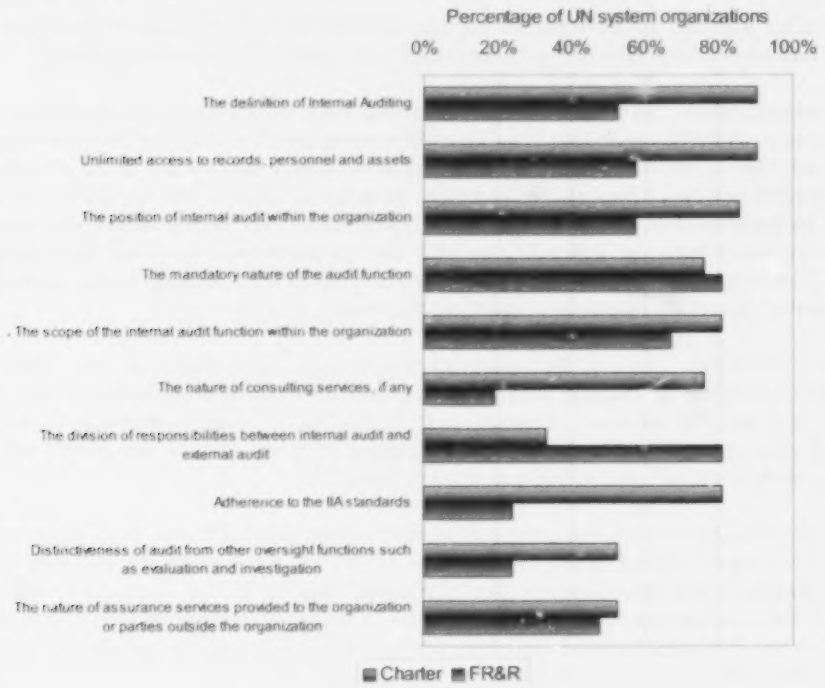
[20] "Internal audit/oversight head" is used to refer to the head of the oversight services including audit. "Internal audit head" refers to the chief of only the internal audit function. He or she may work under the leadership of an internal oversight head or work independently.

[21] General Assembly resolution 64/232, para. 6, and the 2010 IAAC annual report (A/65/329), paras. 9-10.

[22] It is questionable whether internal auditors should be allowed to access medical files.

Figure 1. Content of internal audit charter and financial regulations and rules


Percentage of UN system organizations
0%
20%
40%
60%
80%
100%
The definition of Internal Auditing
Unlimited access to records, personnel and assets
The position of internal audit within the organization
The mandatory nature of the audit function
. The scope of the internal audit function within the organization
The nature of consulting services, if any
The division of responsibilities between internal audit and external audit
Adherence to the IIA standards
Distinctiveness of audit from other oversight functions such as evaluation and investigation
The nature of assurance services provided to the organization or parties outside the organization
Charter
FR&R

32. Since the internal audit/oversight charter as such constitutes an agreement with management and the legislative/governing body on the role of internal auditing within the organization and a framework to assess the performance of the internal audit function, it should be periodically reviewed and updated, with the involvement of management and the audit/oversight committee and approved by the legislative/governing body if it leads to any change. This is not however an established practice for all organizations as yet.[23]

Recommendation 1

The internal audit/oversight head should review, at least every three years, the content of the internal audit charter and FRR pertaining to internal audit for compliance with the International Standards for the Professional Practice of Internal Auditing and present the results of such a review to the executive head and the oversight/audit committee, and any proposed change should be submitted to the legislative/governing body for approval, in order to enhance the independence, role, status and functional effectiveness of the audit function.

[23] For OIOS the General Assembly reviews, usually every five years, the implementation of resolution 48/218B, which includes the internal audit. Such reviews resulted in subsequent General Assembly resolutions, such as resolutions 59/272 and 64/263

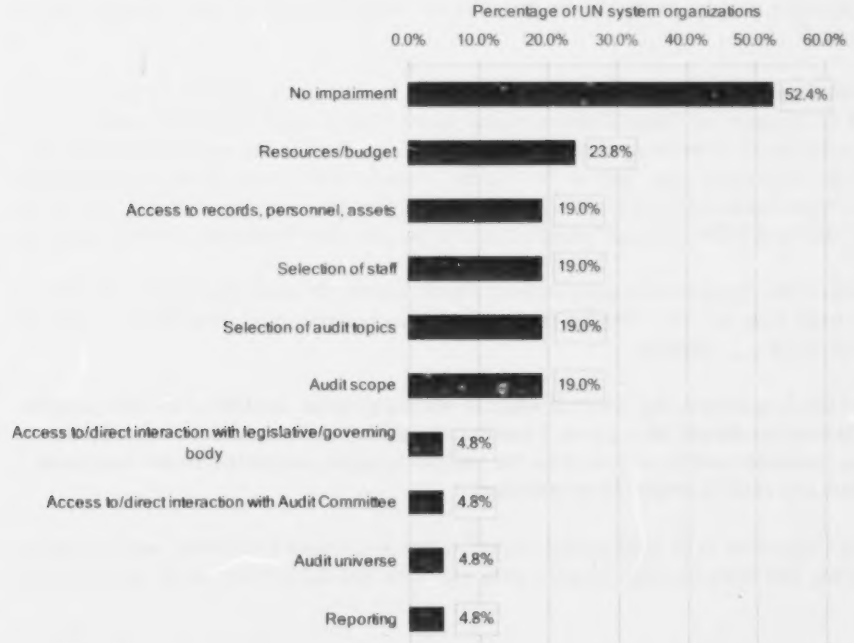
F. Independence and objectivity

33. Independence is defined as freedom from conditions that threaten the ability of the internal audit activity or its audit head from carrying out the internal audit activity in an unbiased manner.[24] It is worth noting that the issue of independence is even more sensitive in the area of investigation.

34. Objectivity is an unbiased mental attitude that allows internal auditors to perform an engagement in a manner that does not compromise the quality of the audit and that does not subordinate their judgement to others. Conflict of interest arises when an auditor, who should be in a position of trust, has competing professional or personal interests that can influence his or her impartial judgement. Even when no unethical or improper act results, it may create an appearance of impropriety that can undermine the performance of the audit/auditor.[25]

35. In the course of the interviews, the Inspectors identified a number of threats to the independence and objectivity at the individual auditor, engagement, functional and organizational levels and found that overall the internal audit function at the United Nations organizations enjoys different degrees of functional and operational independence, and that in some organizations audits are more critical than in others. Independence was cited as a major challenge/constraint faced by internal auditing at six United Nations system organizations. The survey also revealed that at only half of the organizations no impairment to or interference in the independence/objectivity of the audit/auditors was registered in the last five years. Impairment or interference were most frequently reported in the areas of resources/budget, access to records, personnel and assets, selection of staff, audit topics and audit scope, as shown in figure 2 and further discussed in paragraphs 39 to 65.

Figure 2. Impairment to or interference in the independence of the internal audit



[24] International Professional Practices Framework, IIA Standard 1100.
[25] Ibid.

36. To uphold the independence of OIOS, IAAC had proposed in its annual report as of July 2009 a definition of independence and recommended that the Under-Secretary-General for OIOS be required to provide assurance to the General Assembly in the OIOS annual report that the Office was independent during the reporting period and, if not, disclose any impairment (A/64/288, annex, para. 22). It is noted that independence issues are generally discussed in the annual summary report of the internal audit head to the legislative/governing body at most United Nations system organizations.

37. Against this background, the Inspectors wish to highlight that the best management practices called for executive heads to set the tone at the top with respect to the extent of cooperation that the internal audit activity receives in order to carry out its work free of interference and in full independence. Further, as a safeguard, the director of internal audit/oversight should report to the audit/oversight committee about any interference or threat in this context. Moreover, in line with IIA standards, he or she should confirm the independence of the internal audit activity to the legislative/governing body.

Recommendation 2

The internal audit/oversight heads at the United Nations organizations should confirm the independence of the internal audit function annually to the audit/oversight committee, which should report to the legislative/governing body on any threat to or interference with the independence of the internal audit activity and suggest remedial measures, so as to enhance its effectiveness.

1. Internal audit planning, work and communicating results

38. The functional independence of internal auditors is impaired when executive heads intervene in the audit planning and/or reporting process to change the priorities or content/findings of audit engagements or the results of observations.[26]

39. Although the input from senior management and the board should be considered in the planning process, the fact that at the majority of United Nations organizations (76 per cent), executive heads approve the audit plan may open the door to interfering in the planning process or give the impression of interference. On the positive side, the Inspectors note that at the United Nations, the United Nations Educational, Scientific and Cultural Organization (UNESCO), the United Nations Children's Fund (UNICEF), the World Health Organization (WHO) and WIPO the audit plans are sent to the executive heads only for information.

40. Further, best practices for organizational independence should involve the audit/oversight committee in reviewing the internal audit plan and any changes proposed to it. Audit/oversight committees review the audit plans in 56 per cent of the organizations.

41. **In the opinion of the Inspectors, the internal auditor should provide assurance to the executive head with whom an interaction should take place. Thus the executive head can make a contribution to the internal audit plan, which should be reviewed by the audit/oversight committee, where one exists.**[27] **If such a committee does not exist, it should be established.**

42. At FAO, the Audit Committee in its 2008 annual report[28] refers to the need for internal audit to operate independently in designing and implementing its audit strategy, plans and deployment of its resources and

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[26] IIA Practice advisory 1110-1 (organizational independence).

[27] In the case of FAO and WFP, it is the audit/oversight committee which reviews the internal audit plan before communicating it to the executive head.

[28] FAO Audit Committee, document FC/128/18, para. 8.

recommends that changes proposed to the audit plan be documented by an impact assessment and brought to the audit committee for consultation. Nevertheless, the Director-General indicates in his comments that the Inspector General must accommodate any specific request made by him.

43. In addition, the Inspectors observed that at six other organizations there were cases of impairment or interference in the selection of the audit topics, audit universe and audit scope.

44. The likelihood of interference in the internal audit independence increases when the internal audit/oversight head is prevented from direct oral and written communication and exchange of views with the legislative/governing body on the results of the internal audit activity. Among the United Nations organizations interviewed and surveyed, the internal audit/oversight head at IAEA, the United Nations Industrial Development Organization (UNIDO) and UNRWA do not report at all to the legislative/governing bodies. At the International Labour Organization (ILO), International Maritime Organization (IMO), the International Telecommunications Union (ITU) and the United Nations Population Fund (UNFPA), he or she did not report directly but through the executive head with his or her comments, if any, and/or did not introduce the report and interact with Member States and other stakeholders except in the case of the ILO, UNESCO, UNFPA and WFP, where the Chief Audit Executive introduces the report and directly interacts with the governing body members. In decision 2010/22 of the Executive Board of the United Nations Development Programme and of the United Nations Population Fund (DP/2010/34, para. 20), the Executive Board reiterated that the Director of Division for Oversight Services has the independence to report directly to the Board on all engagements conducted by the Division and the future reports should be entitled the "Report of the Director of the Division for Oversight Services on internal audit and oversight activities".

45. According to IIA standard 2020, "The chief audit executive should communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval". In the light of this standard, **the Inspectors are of the opinion that the senior management has the prerogative of submitting the audit plan and resource requirements to the legislative/government body for its final review and approval. If the executive head was the final authority for such review and approval, then the board would have no authority in this regard, which is in contradiction with the above-mentioned standard.**

46. The review also found that, increasingly, legislative/governing boards voice their unhappiness with limited or restricted access to audit results. For instance, the UNDP/UNFPA Executive Board in its Decision 2010/22 (DP/2010/34, para. 20) reiterated the independence of the UNFPA Division for Oversight Services and requested that "its Director has the final say on audits reports issued by the Division". This recommendation is in line with best practices which the Inspectors would like to see replicated in other organizations. At the same time, the Inspectors reiterate recommendation 11 of the Oversight Lacunae Report that: the legislative bodies in each organization should direct their respective executive heads to ensure that annual internal oversight summary reports are submitted to the audit/oversight committee for its review, with the comments of the executive head submitted separately.[29]

47. Against this background, the following measures should ensure the independence of the internal audit function administratively and functionally:

(a) The internal audit function should report to the executive head, the audit/oversight committee and the legislative/governing body;

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[29] JIU/REP/2006/2, p. 12.

(b) If an audit/oversight committee does not already exist, one should be created, and its mandate should include review of the work plan and findings and follow-up to the implementation of recommendations of internal audit as well as those of external audit;

(c) In his or her annual report to the legislative/governing body, the internal audit head should include whether his or her duties were carried out free of interference.

Figure 3. Annual internal audit reporting

0.0% 10.0% 20.0% 30.0% 40.0% 50.0% 60.0%
By the chief audit executive/audit director report directly to the legislative/governing body
57.1%
The chief executive/audit director introduces his/her report to the legislative/governing body and replies to questions
57.1%
Comments by Executive Head provided separately
28.6%
No comments provided by Executive Head
28.6%
Cover note and/or comments sent by the Executive Head
23.8%
Comments of the Executive Head as part of his/her report to the legislative/ governing
4.8%

Recommendation 3

The legislative/governing bodies should direct the executive heads of the United Nations system organizations concerned to facilitate the submission of the internal audit planning and audit results to the audit/oversight committees, where appropriate, for the latter's review.

2. Selection, appointment/removal of the audit/oversight head

48. One key issue affecting the independence and objectivity of the internal audit/oversight head and of the audit function is the lack of proper selection and appointment/dismissal process and non-renewable terms of office. Best practices encompass the involvement of the audit/oversight committee in the said process and possible approval by the legislative/governing body to prevent unfair and arbitrary management decisions.

49. The review found that at eight organizations, executive heads were reported to select the internal audit/oversight head and at all other organizations to approve the selection, having in either instance the possibility to pre-empt any appointment. Audit/oversight committees were apparently involved in the process only at 7 organizations, whereas legislative/governing bodies review and/or approve of the appointment at 10 organizations. **The Inspectors consider that the audit/oversight committee, where one**

exists, should in all instances review and comment on the selection process, providing the necessary assurance to the legislative/governing bodies on the said appointment.

50. Three organizations have non-renewable office terms of five years (the International Civil Aviation Organization (ICAO), United Nations and UNDP) and two others have terms of four years, renewable once (WFP and WIPO). At 11 organizations, there is no rule that bars subsequent appointments to management positions within the same organization. These shortcomings, in the view of the Inspectors, impede the independence and objectivity of the internal audit function and the internal audit/oversight head.

51. Consequently, the Inspectors reiterate the recommendation 10 of the JIU report on oversight lacunae[30] as follows. With respect to the internal audit/oversight head, the governing/legislative body in each organization should decide that:

(a) Qualified candidates should be competitively selected on the basis of a vacancy announcement that should be widely externally publicized;

(b) Appointment should be subject to its prior consent;

(c) Termination should be duly justified and subject to its consent;

(d) A non-renewable tenure of five to seven years should be established, preferably in all instances with no expectation of any further employment within the same United Nations organization at the end of the term.

52. The performance of the internal auditor should be regularly subject to a satisfactory performance assessment; otherwise he or she may perform ineffectively for five to seven years. In addition, the opinion of the audit committees should be sought in the selection and dismissal processes. Prior to the appointment, the committee should be represented in the interview panel and/or consulted on the selection of the internal auditor.

3. Budget and staff

53. Another challenge to the independence of the internal audit function already identified in the JIU Oversight Lacunae report was the scrutiny and control exercised by client/managers over the budget of the internal audit activity. The report recommended that an independent mechanism should review the budget and make recommendations to the legislative/governing body on the level of audit resources and that the budget proposal of the internal audit be submitted independently with comments, if any, made by the executive head.[31] In this regard, the Inspectors noted that while the legislative/governing bodies approved the organizations' overall budgets, they did not receive the original internal audit activity budget proposal and needs requirements. Nine of the organizations reviewed reported that the auditees interfere with or control in some way the internal audit budget process. **The Inspectors reiterate the need to ensure independent scrutiny of the audit activity budget (as submitted by the head of internal audit in its original form) by the audit/oversight committee as an expert body to facilitate its consideration by the legislative/ governing body.**

54. Similarly, the Inspectors observed that at some organizations, executive heads have the prerogative to select or appoint audit staff. Cases of interference in the staff selection process in at least three organizations were brought to their attention. On the other hand, there is also a risk that with no oversight over recruitment

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[30] JIU/REP/2006/2, p. 11.
[31] JIU/REP/2006/2, recommendation 9, p. 11.

decisions, appointments may be made that are not in line with organizational human resources policies. In the view of the Inspectors, the selection and promotion of audit staff must be run independently, but fairly and transparently, from the administration and management of the organization, albeit respecting the organization's established policies. The Inspectors consider that in order to ensure the independence and credibility of the process the audit/oversight head should be entrusted with full authority to select and appoint his/her staff. If the organization's standards procedures do not provide such independence and authority, the selection and appointment of audit staff could be based on the recommendation of an independent professional interview panel that includes professional auditors and a human resources officer for compliance with due process. Such vetting should bear in mind the established recruitment policies and procedures of the organization concerned but should not be subject to management interference. **In this regard, in the view of the Inspectors there is a need to review and rethink the existing processes and procedures for the selection of audit staff at United Nations system organizations. Furthermore, the lack of resources allocated and the delay of recruitment are, inter alia, impediments to oversight work being effective.** The Inspectors have been informed that IAAC considers that there is a need for a fundamental review and reassessment of the overall United Nations recruitment process.

Recommendation 4

The executive heads of United Nations organizations should ensure that audit staff are selected in accordance with staff regulations and rules, based on audit qualifications and experience as the main selection criteria. These staff should be selected independently from management and administrative influence, so as to ensure fairness and transparency, increased effectiveness and independence of the internal audit function.

4. Access to records, personnel and assets

55. The Inspectors were informed that internal auditors faced restrictions on access to records (including medical records), personnel and assets at four United Nations organizations. For instance, the Audit Advisory Committee at UNFPA in its annual report for 2009 indicated that the Division for Oversight Services was unable to initiate at least one of its internal audits because documentation was not made available and has encountered other challenges in this respect during the conduct of its work (DP/FPA/2010/20, annex 2, para. 29). This type of occurrence will impact unacceptably on accomplishing the internal audit missions. The Executive Board in its decision 2010/22 reiterates that the Division for Oversight Services has full, free and unrestricted access to any and all UNFPA records, physical properties and personnel relevant to any functions of UNFPA under review and reiterates that all employees are obliged to assist the Division in fulfilling its role (DP/2010/34, para. 19). **In this connection, the Inspectors consider that the head of internal audit/oversight and the audit/oversight committee have the responsibility of bringing such restriction, in his/her report, to the attention of the legislative/governing bodies.**

5. Impairment of objectivity

56. Under the IIA standards, internal auditors must refrain from auditing operations for which they previously had responsibility. Further, prior to accepting any audit engagement in an audit of operations for which consulting services have been provided, auditors have the obligation to disclose the previous consulting services and the internal audit/oversight head should take action to provide such assurance as necessary. While this potential risk was detected at about half of the internal audit services which provide consulting services in addition to auditing, such services do apply disclosure policies for conflicts of interest that could impair the auditor's ability to perform objectively at the level of the audit client (in 76 per cent of the organizations reviewed) and at the level of the audit assignment (95 per cent).

57. Advisory by nature, consulting services are performed at the request of management and their scope is limited to the engagement agreed among the client/manager and the internal auditor. At some organizations this activity has gained increasing relevance in connection with the introduction of the International Public Sector Accounting Standards (IPSAS) and Enterprise Risk Management (ERM), as reported in recent JIU reports on these subjects[32] and in the annual reports of the heads of internal audit/oversight. A paper on the role of internal audit in the adoption of IPSAS was presented at the Meeting of Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions (RIAS) in 2008.[33] IIA has also developed a position paper on the role of internal audit in ERM. Furthermore, in the "Oversight Lacunae" report, JIU expressed strong reservations to including consulting services as part of the internal oversight service.[34] The Inspectors believe there is an inherent conflict of interest in both giving management advice and overseeing management's action on that advice. This does not preclude the internal auditor from providing advice when requested while his independence is being ascertained. In the Inspectors' opinion, such a consulting role should focus on risk mitigation in a proactive and preventive manner, without any decision-making or operational role and with due disclosure.

58. Also to prevent any conflict of interest, in a case where an allegation of unethical behaviour/wrongdoing/misconduct is made against an internal auditor, any required investigations should be conducted either in-house (investigation unit) or externally (consultant, external auditor) in consultation with the chair of the audit/oversight committee. In 28 per cent of the organizations this has not yet been regulated. If the allegation concerns the internal audit/oversight head, the JIU, in its Oversight Lacunae report, suggested that an external body of the United Nations system such as the JIU could be mandated to undertake the investigation,[35] since the said official is functionally independent and therefore not an ordinary staff member. In the view of the UNDP Office of Audit and Investigations (OAI), the normal disciplinary process should be followed with the only difference that dismissal would require consultation with the Audit Advisory Committee (AAC).

59. Internal auditors are compelled by IIA standards not to accept fees, gifts or entertainment from auditees, a requirement upheld by most organizations reviewed. However, only at one third of the organizations are internal auditors required to submit a financial disclosure statement to call attention to any financial interest that may conflict with the interest of the Organization.

60. The Inspectors reiterate the proposal of the JIU in the Oversight Lacunae report that the legislative bodies in each organization should direct their respective executive heads to make proposals to set up confidential financial disclosure requirements for all professional-level oversight staff.[36]

G. Competence

61. Internal auditors should possess the knowledge, qualifications, experience, skills and competences to fulfil the audit responsibilities. At the level of the audit service, a mix is required, combining core staff with outside expertise as necessary to fill gaps. The Inspectors have been advised by some internal audit/oversight heads that the legislative body should be involved or at least consulted before internal auditors' appointment, while others claimed that the involvement of the legislative body may lead to the politicization of such appointment.

62. Among the required qualifications, the most common are Certified Internal Auditor (CIA), Certified Public Accountant (CPA) or Chartered Accountant, Certified Fraud Examiner (CFE) and Certified

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[32] JIU/REP/2010/6 and JIU/REP/2010/4.
[33] World Food Programme, report of the Inspector General, document WFP/EB.A/2009/6-E/1, para. 18.
[34] JIU/REP/2006/2, para. 34.
[35] Ibid., para. 30.
[36] Ibid., recommendation 16, p. 15.

Information Systems Auditor (CISA). In addition, technical skills such as knowledge of risk management approaches and information technology are in demand and "soft" skills such as critical thinking and the ability to communicate clearly are increasingly requested.[37]

63. However, the review found that only 57 per cent of the organizations required the internal auditors to have one of the above professional certifications, while it was encouraged in almost all (93 per cent). In practice, 16 of the organizations reviewed reported that 75 per cent of the audit professional staff possess at least one of these qualifications.

64. Continuous professional development plans at the individual/service levels were in place in most cases; the exception was IMO, where a formal system was lacking. In fact, at least 5 per cent of the annual audit budget is dedicated to audit training/continuing development at only 38 per cent of the organizations. UNICEF has the highest audit budget for training, whereas IMO has none. A formal annual performance appraisal process for auditors was in place at all organizations. This should be strengthened by a requirement for ongoing continuing professional development.

65. At 87 per cent of the organizations, consultants or audit firms are hired to complement or bring in expertise that is not available within the audit service, such as for information technology audits; IMO and ITU are the exceptions.

66. Some managers complained about the competency of auditors, particularly at the field level. Four internal audit/oversight heads stated that competency was one of their main challenges, together with the need for sufficient competent staffing.

67. In addition to being competent and proficient, internal auditors should exercise due professional care. This includes conforming to the International Professional Practices Framework, including the IIA standards and Code of Ethics. Though at two organizations internal auditors are not required to abide by the IIA Code of Ethics, all adhere to the organization's code of conduct.

Recommendation 5

The internal audit/oversight heads should ensure that recruited staff possess audit or other relevant experience as well as professional certification in audit or accounting at entry level/promotion, in line with best practices.

H. Managing the audit activity

68. The internal audit/oversight head has the responsibility for managing the audit operations. Managing the audit activity includes, among other adequate policies and procedures, the use of modern technology and effective risk-based planning.

69. Clear written procedures are key to performing a quality engagement and identifying sufficient, reliable, relevant and useful information to support the audit observations and recommendations. According to IIA Standard 2040 and Practice Advisory 2040.1, the internal audit/oversight head should establish policies and procedures to guide the audit activity even if formal audit manuals may cover only the main internal audit activities. In this regard, a manual containing policies and procedures for conducting the audit activity exists in 57 per cent of instances. ICAO, IMO, UNDP, UNIDO, UNRWA, WHO, WIPO and WMO

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[37] Pricewaterhouse Coopers (PwC) 2010, "Internal Audit Services - A future rich in opportunity",, p. 16.

have no such manual.[38] UNFPA has finalized and placed its Oversight Engagement Manual (August 2010) on the intranet and made it available to all staff as a reference point and to raise awareness on oversight approaches, methodology and procedures. The organizations without internal audit/oversight manuals have separate operating procedures that are more or less comprehensive, with the exception of ICAO and UNRWA, which do not have either a manual or operating procedures.

70. The use of computer-assisted audit techniques allows greater coverage, targeted testing and continuous monitoring. Yet it has a cost that many audit services cannot bear. FAO, IMO, the United Nations, UNDP, UNFPA, UNICEF and WFP reported having such systems. Five organizations (UNESCO, UNFPA, UNIDO, the Universal Postal Union (UPU) and UNRWA) admit that the use of technology is a major challenge.

1. Risk-based planning

71. Risk-based plans should be established by the internal audit/oversight head to determine the priorities of the audit activity in line with the risk levels identified. If sufficient resources are not available, this needs to be reported and clearly explained by the internal audit head. Most United Nations audit services declared having a risk-based plan.

72. In developing such a plan, the ERM framework of the organization should be taken into account. It is however the responsibility of management to develop such a framework and establish a risk register. According to the relevant JIU report,[39] many United Nations organizations are still in the preliminary stages of ERM, either preparing policy and framework documents or undertaking pilot/first phase exercises. IMO and UNDP are relatively advanced in this regard in comparison with other organizations; however, their implementation is still immature and yet to be integrated into the organizational processes and culture. A few other organizations have yet to consider the issue. In preparing the audit plan, most of the organizations surveyed reported that they take into account the existing or in progress ERM frameworks according to their degree of maturity, and they do their own risk assessment based on an existing or internally developed risk assessment methodology, using their own judgement in determining the levels of risk for audit purposes, which is complemented with input from senior management and the audit/oversight committee in most organizations. Likewise, the implementation of enterprise resource planning improved the efficiency of internal audit processes at UNDP and UNFPA. Thus, when the implementation of the ERM and enterprise resource planning projects reaches maturity at United Nations organizations, the audit risk-based planning process would better benefit from it.

73. In view of the significant "reputational risks" involved with regard to the expansion in extrabudgetary funds and the risk of fraud and abuse, there is a need for strong controls and oversight over such funds. In addition, the lack of effective controls over and accounting for non-expendable property appears to be developing into a systemic issue. In this regard, the IAAC considers that OIOS can add value to its oversight work by conducting more audits of cross-cutting and systemic issues. The Committee therefore recommended in its 2010 report that in preparing its work plan, OIOS place greater emphasis on audits of cross-cutting issues (horizontal audits) in order to identify prevalent systemic issues that need to be addressed by management as a priority (A/65/329, annex, para. 8). The actual audit universe[40] first needs to be set out clearly. Further, in preparing the audit plan, each area/activity should be assigned a risk level (high, medium, low) and resources should be allocated accordingly, establishing an audit cycle for the different audit engagements. Any resource limitations identified that have an impact in the level of assurance to be provided should be communicated to both the executive head and the audit/oversight committee. About

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[38] WHO is developing a new oversight manual, the draft of which is currently under internal review.

[39] JIU/REP/2010/4.

[40] To effectively define an audit universe, auditors divide the entire organization into manageable auditable activities or units (e.g., policies, procedures and practices; business units; information technology systems; major contracts; and functions, such as accounting or operations) that can be classified in a number of ways.

half of the organizations nevertheless reported that they had not implemented an audit cycle by level of risk or that the audit cycle was not adequate to ensure an acceptable level of risk.

74. Finally, it was indicated that audits were mostly based on inherent risk[41] rather than residual risk.[42] The application of inherent risk in the audit risk model affects the amount of effort by the auditor to gather evidence, and significantly increases resource requirements. This was justified by the fact that management is yet to fully implement ERM and an internal control framework and by the lack of a reliable internal control system as well as the unstable control environment of some field operations. The IAAC has criticized this planning approach and called for considering "the effect of controls that the management has put in place in the assessment of residual risk" (A/64/288, para. 8 (b)). The Inspectors concur with this suggestion.

Recommendation 6

The audit/oversight committees should, as appropriate, review the risk-based needs and planning process of the internal audit and provide guidance on how to improve it.

I. Audit resources

75. Internal auditing at the United Nations organizations is a core/mandatory activity financed either from the regular budget (48 per cent) or from a combination of regular and extrabudgetary resources (48 per cent). Only at UNHCR is the internal audit activity fully financed from extrabudgetary resources.

76. The options for staffing an audit activity are: (a) in-house dedicated audit team; (b) co-sourcing and (c) outsourcing. The first option is usually applied by large organizations with expansive operations. Co-sourcing, by which an external provider supports the in-house audit team with supplementary skills, is increasingly used in the private and public sectors. At the United Nations it is commonly applied at 86 per cent of the organizations. This option allows greater flexibility for upsizing/downsizing according to needs.

77. Other than the requirement to communicate the audit plan and resources needs to management and the legislative/governing bodies, there is no IIA Standard to advise on the size of the audit activity. In general, the level of resources allocated to internal audit depends on the volume of the organization's operations, the degree of decentralization, the level and complexity of the risks the organization faces and is willing to accept and the responsibilities given to internal auditing, including in relation to other oversight functions. Additional factors are the level and competence of the audit staff and the structure of the audit function.[43]

78. Each audit needs to be based, inter alia, on risk assessment, complexity and the history of fraud, error or account preparation problems. However, in the absence of an agreed formula, in the Oversight Lacunae report JIU defined minimum requirements to set up internal oversight units at United Nations organizations, which are applicable to internal audit, as appropriate.[44] Accordingly, an organization would be required to manage a minimum of US$ 250 million over a biennium to justify the set-up of an internal oversight unit that would cost approximately US$ 2.13 million for three professionals and adequate support staff. For

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[41] Inherent risk is the risk before considering effect of internal controls. To assess inherent risk the auditor should consider the nature of the business, the integrity of management, the client motivation and the results of previous audits, among others. Usually, auditors set a high inherent risk for the first audit and reduce it in further engagements – if it can be demonstrated via the audit that control will improve … (Arens and Loebbecke, *Auditing: An Integrated Approach* (Prentice Hall, 1999), p. 262).

[42] The risk remaining after management has taken action to reduce the impact and likelihood of an adverse event in response to a risk (IIA Glossary, available from http://lsp.learncia.com/cia30common/iia-glossary?search_letter=r).

[43] R. Hirth, "FAQs about integral audit and new regulatory requirements", *The CPA Journal* (May 2005), available from www.nysscpa.org/cpajournal/2005/505/perspectives/p12.htm).

[44] JIU/REP/2006/2, annex I, sect. B.

internal audit, a range of US$ 60 to US$ 100 million per biennium was proposed per auditor, taking into account whether it is a headquarters or field based organization. Below US$ 250 million, the existence of a unit is not justified and the services should be outsourced or in-sourced to another United Nations organization with a capacity to respond. Based on this formula, 11 organizations were below the range proposed for an oversight unit at the time of the present report.[45]

79. Since 2006, audit resources have been boosted at 12 organizations; increases at some, such as FAO, UNDP, UNHCR, WHO and the United Nations Office for Project Services (UNOPS), have been significant. At OIOS, 22 new posts were created in the 2008-2009 biennium,[46] which represents a 14 per cent rise.[47] Only at ICAO and UNIDO have the audit resources decreased in the last five years.[48]

80. At present, the number of full-time professional staff for internal audit, by organization, ranges from 1 at UPU to 175 at the United Nations. ICAO, IMO, UNIDO and WIPO have only one to two internal auditors.

81. Many internal audit heads expressed to the Inspectors general satisfaction with the level of resources available to perform the audit activity; 40 per cent, however, indicated that the issue of resources is a significant challenge/constraint presently faced by the internal audit function at ICAO, the ILO, IMO, UNIDO, UNRWA, UPU, WIPO and WMO. Currently only two organizations declared that they applied the above-mentioned JIU formula (UNFPA and WMO[49]). The Inspectors noted that, applying this formula, IMO, UPU and WMO should outsource the audit activity to another organization, whereas 70 per cent of the organizations are below the range in number of auditors, as shown below. At either instance, the audit activity is too weak and in the view of Inspectors should be reinforced.

Table 1. Budget and staffing of the audit activity

Org.	2009 Budget (Millions of United States dollars)		Number of internal audit professional staff according to JIU formula (range)		Number of internal audit professional staff	Remarks
	Total Budget: RB +XB[a]	Internal Audit Budget				
FAO	1 271.7	3.7	23	42	16	Below range
IAEA	582.6	1.0	11	19	5	Below range
ICAO[b]	325.9	0.8	6	11	1	Below range
ILO	582.9	1.3	11	19	5	Below range
IMO[c]	81.9	0.4	1	3	2	Within range
ITU	136.6	0.6	2	5	3	Within range
United Nations[d]	10 481.8	32.1	191	349	175	Below range
UNDP	5 143.9	8.4	94	171	45	Below range
UNESCO	609.0	2.0	11	20	12	Within range
UNFPA	783.0	2.0	14	26	10	Below range

[45] JIU/REP/2006/02, paras. 45 to 48, recommendation 14 and annex I.

[46] In addition to a total of 155 posts (41 regular budget and 114 extrabudgetary) in 2006-2007 and 177 posts (48 regular budget and 129 extrabudgetary, including posts from other sources that do not require General Assembly approval) in 2008-2009.

[47] The IAAC, consistent with its terms of reference, reviews the resource requirements of OIOS.

[48] At UNIDO the overall oversight budget remained unchanged during the same period while the investigation mandate has expanded.

[49] WMO informed JIU that at the sixty-second session of the WMO Executive Council (June 2010), the Council invited the Audit Committee of WMO to consider at its following meeting "the core functions to be performed by IOO and make recommendations on resourcing levels based on such core functions while considering the priorities within WMO" (WMO, "Executive Council, sixty-second session, Geneva, 8-18 June 2010, abridged final report with resolution", document No. 1059, para. 7.2.37). This recommendation was tabled as an action item in agenda of fifteenth meeting of the WMO Audit Committee (October 2010).

UNHCR	1 749.4	3.5	32	58	18	Below range
UNICEF [e]	3 469.0	5.9	63	116	25	Below range
UNIDO [f]	325.4	1.0	6	11	2	Below range
UNRWA	940.5	2.0	17	31	4	Below range
UNOPS [g]	1 390.0	1.6	25	46	5	Below range
UPU [c]	51.1	0.2	1	2	1	Within range
WFP	3 507.8	3.1	64	117	16	Below range
WHO [c, h]	1 788.7	3.5	33	60	12	Below range
WIPO	314.9	0.4	6	10	1	Below range
WMO	86.8	0.6	2	3	3	Within range

Notes:

[a] Source (except for Department of Peacekeeping Operations (DPKO), UNIDO, UNOPS and UPU): Note by the Secretary-General on the budgetary and financial situation of the organizations of the United Nations system (A/65/187), tables 1 (approved regular budgets (1996-2011)) and 2 (extrabudgetary resources, without "in-kind") of CEB Financial Statistics compiled in 2010.

[b] For ICAO, "internal audit budget" refers to internal audit, evaluation and investigation.

[c] IMO, UPU and WHO include the internal audit/oversight head in "number of current internal audit professional staff".

[d] United Nations "total budget" includes the DPKO budget from 1 July 2008 to 30 June 2009 (US$ 7,093.4 million).

[e] For UNICEF, "internal audit budget" and "professional staff" include internal audit and investigation.

[f] The UNIDO budget refers to the audit universe of IOS (Internal Oversight Services), including UNIDO and major common services for the Vienna-based organizations. "Internal audit budget" and "number of current internal audit professional staff" columns cover audit and investigation.

[g] Source for UNOPS "total budget": UNOPS budget estimates for the biennium 2008-2009 (DP/2008/13).

[h] For WHO, "internal audit budget" includes all IOS (Internal Oversight Services), i.e. audit, evaluation and investigation services, and "total budget" refers to its universe, which includes support for selected partnerships hosted by WHO.

* JIU formula: more than US$ 250 million per biennium (US$125 million per year) per organization and US$ 60 million to 110 million per biennium (US$ 30 million to 55 million per year) per auditor according to whether operations are headquarter or field based.

82. In this regard, the Inspectors consider that when the volume of transactions of the organization may justify an increase in audit professional staff or even when outsourcing should be applied, it is the responsibility of the internal audit/oversight head to build up the case, with the support of the audit/oversight committee, for in-sourcing, co-sourcing or outsourcing to another organization, as applicable. Management, in turn, must understand the key risks the organization faces and work with the internal auditor to determine how best to mitigate them, including, if necessary, through an increase in audit resources. The result of such analysis, alternative options and budgetary implications should be brought for decision-making to the relevant legislative/governing bodies, bearing in mind that strengthening the audit is not only a budget issue, but also skills and the use of efficient audit and risk techniques.

Recommendation 7

To enhance efficiency, the legislative/ governing bodies at the organizations concerned should direct executive heads to review audit staffing and the budget prepared by the internal audit/oversight head, taking into consideration the views of the audit/oversight committees, where appropriate, and should suggest to the executive heads an appropriate course of action, to ensure that the audit function is adequately resourced to implement the audit plan.

J. Communicating results

83. On the issue of communicating the results of the audit, in its Oversight Lacunae report JIU recommended that internal oversight reports be submitted to the executive head and disclosed to the interested Member States on request and that annual summary reports be submitted to legislative bodies.[50] In

[50] JIU/REP/2006/2, recommendation 11, p. 12.

the present report, the Inspectors provide an update of relevant practices and examine in more detail other reporting issues, such as the quality, nature, frequency and content of audit communications.

84. To produce the desired impact, audit communications should be accurate, objective, clear, concise, constructive, complete and timely. The greatest challenge reported was timeliness (57 per cent), followed by conciseness (24 per cent). As for completeness, some managers wish to see their comments better reflected in the final audit report. Indeed, client comments may be included as an appendix to the report, in the body of the report or in a cover letter. In this regard, the IAAC recommendation that the complete response of management be included as an annex to OIOS reports (A/64/288, annex, para. 29) was approved by the General Assembly in its resolution 64/263.

85. Audit communications are generally addressed to the client/manager of the operation audited for action, with a copy to the executive head for information. Until recently, reports on individual audit engagements were not disclosed to Member States and other stakeholders of the organization. Yet, since its establishment in 1994, OIOS has submitted reports to the General Assembly as it considers necessary. In fact, it is required to present several reports yearly.[51] Currently, the internal audit/oversight head has such authority at 67 per cent of the organizations reviewed. Furthermore, since 2004,[52] the OIOS regularly releases copies of reports upon the request of individual Member States. Two Member States have a standing order to receive copies of all reports.

86. The ILO, UNDP, UNFPA, UNICEF, UNOPS, WHO and WIPO have put in place procedures whereby access to on-site reading (not copying) is granted to Member States upon request. The ILO internal audit head stated that a hard copy of project-specific reports can be provided to the donor upon request. Nevertheless, the organizations reported having received a very limited number of such requests, with the exception of UNDP, which has received 23 in three years, mainly from one Member State. Among specialized agencies, ILO, ITU, UNESCO, WIPO and WMO release reports upon request, but all have relevant procedures in place. In total, two thirds of the United Nations organizations interviewed presently disclose audit reports in one way or another to stakeholders. Audit reports are not disclosed at IAEA, ICAO, IMO, FAO, UNIDO, UPU and WFP. The Inspectors have been informed that there were internal decisions at IAEA and UNIDO not to disclose individual audit reports, whereas at IMO and UPU disclosure has not been requested by Member States. At WFP such a policy decision is in process. Several other non-United Nations organizations interviewed disclosed reports upon request. At IMF, all audit reports are provided to its External Audit Committee and made accessible to executive directors and their alternates via an internal secure website.

87. A number of organizations indicated that the disclosure of audit reports has resulted in increased transparency. No case of a donor withholding further funding was recorded. However, in the light of the diffusion on the Internet of some internal audit reports that were released, IAAC in its 2009 annual report recommended reviewing the way reports are disseminated to Member States, without prejudice to the principle of transparent disclosure. In this connection, IIA practice advisory 2410.A3 indicates that when releasing engagement results outside the organization, the communication should include limitations on distribution and use of results.

88. At 60 per cent of the organizations, the disclosure policy has been approved by the legislative/governing bodies and implemented by the internal audit/oversight head. Such a policy should be incorporated in all internal audit charters.

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[51] General Assembly resolution 48/218B, para. 5 (e).
[52] General Assembly resolution 59/272, para. 1 (c).

89. One example of good practice is the UNDP disclosure policy and related procedures, adopted by decision 2008/37 of the Board (DP/2010/31, paras. 11-17) (also applicable to UNFPA and UNOPS), which require the internal audit/oversight head:

(a) To inform the Executive Board after receipt of the request and prior to disclosure;

(b) To verify whether the request clearly states the reason and purpose for reviewing the report and contains an explicit commitment to confidentiality;

(c) To inform the Government concerned of the disclosure request, and to give the Government time to read and comment on the report and identify objections, if any;

(d) To review the report to determine whether it contains information "deemed particularly sensitive that relates to third parties of a country, Government or administration; or could compromise pending action; or where such is likely to endanger the safety and security of any individual, violate his or her rights or invade his or her privacy" such that the report would have to be redrafted or in extraordinary cases withheld;

(e) To disclose reports to Member States;

(f) To authorize on-site reading but not the release of such reports.

90. The nature, frequency and content of reporting vary. In terms of nature and frequency, reporting is done either orally or in writing at least annually, but also semi-annually and quarterly to the executive heads, excluding at the ILO and the United Nations, where no oral reporting to the executive head is done. Reports are also presented to audit/oversight committees where available; such reports are generally submitted quarterly, but in some cases semi-annually.[53] An annual summary report is presented to the legislative/governing bodies directly or through the executive head in most organizations, except at IAEA, UNIDO and UNRWA. **The Inspectors consider that to ensure transparency and accountability it is important to keep executive heads, Member States and other stakeholders informed on critical audit issues, and as such reiterate the above-mentioned recommendation 11 of the Oversight Lacunae report. The Inspectors believe that periodic reporting to executive heads, external audit and audit/oversight committees will help to increase the effectiveness of the audit function**.

91. The content of individual audit communications may differ in form and content, depending on the stage and results of the audit, the nature of the engagement and the client. Annual summary communications should however report on compliance with the audit plan, activities, major findings and recommendations and their status of implementation. They should report on major risks, control and governance issues, any independence issue and fraud cases. A review of a sample of 2009 annual reports at the United Nations funds and programmes showed that they were quite comprehensive. Figure 4 shows that these reports reflect notably audit results, audit activities, recommendations and controls issues and to a lesser extent governance and risk issues. **In this regard, the Inspectors encourage the internal audit/oversight heads to report on constraints and impact on the independence and effectiveness of the audit function, and provide an opinion on internal control based on a risk-based plan.** This should be presented annually or biennially to support the presentation of financial statements to Member States. It would also provide a useful assurance to the external auditor if backed by a delivery of risk-based plan.

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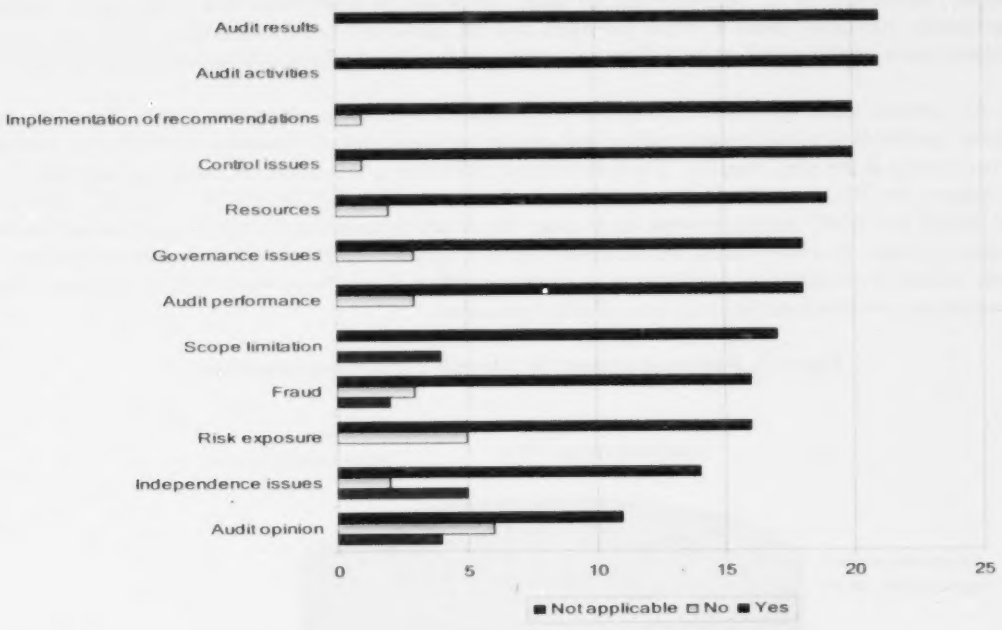
[53] At WFP, a quarterly report is also presented to senior management.

Figure 4. Content of internal audit reporting



92. The Inspectors noted that some organizations publish their annual summary audit reports on their website (FAO, ILO, United Nations, UNDP, UNICEF, UNOPS and WIPO). **The Inspectors consider this a best practice that promotes accountability and transparency and that should be replicated by other organizations**.

Recommendation 8

To enhance accountability and transparency, the legislative/governing bodies concerned should require the internal audit/oversight head to submit to them, annually in writing, his or her report on the results of the audit activity and to publish such annual reports on the organizations' websites. The annual reports should refer to the implementation of the audit plan, major risks, the audit ranking of the audited entities, governance and control issues, key findings, recommendations and implementation of prior outstanding recommendations, as well as to any independence, resources or other issues that impact negatively on the effectiveness of the audit activity.[54]

K. Follow up to internal audit recommendations

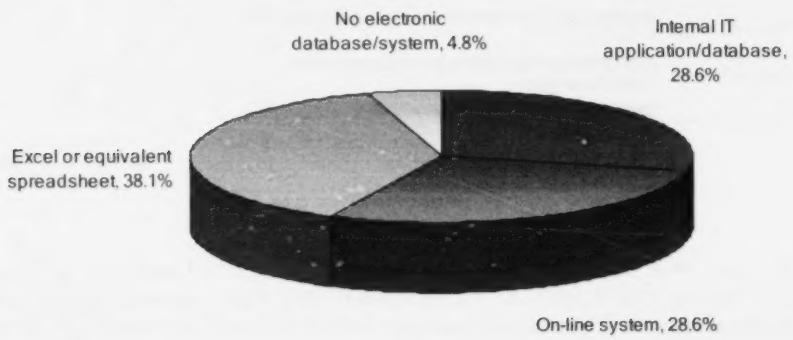
93. IIA standards require that, prior to completing the audit engagement, the auditor discusses with management their observations and agrees on a plan of action to improve operations. The internal audit/oversight head is responsible for establishing a follow-up system to monitor action taken by the management on the results and recommendations communicated in the individual audit report. A parallel tracking system should equally be maintained by the management.

[54] The annual report on the internal audit activity may be a part of a larger report, depending on the oversight activities under the responsibility of the internal audit/oversight head.

94. Effective monitoring should include: a time frame for response by management, evaluation of the response, verification of the response and an audit follow-up, as appropriate, and a process to escalate unsatisfactory response/actions to senior managers and the legislative/ governing bodies. There is in fact a correlation between the quality of the follow-up system and the rate of implementation of recommendations.

95. All internal audit services reviewed have a follow-up system in place. Sometimes there are two systems: one handled by the internal auditor and another by management; a periodic reconciliation between the two systems is therefore required. The systems have different degrees of effectiveness and sophistication. For instance, at UPU, the system is based on Excel, whereas at IAEA, UNDP, UNFPA, UNIDO[55], UNOPS, WFP, WIPO and WMO on-line systems are in place which can be accessed by both the internal auditor and the client/manager. In such systems, the accountability of managers should be evoked to address situations in which, without explanation or justification, a recommendation is not implemented. It is understood that accountability involves sanction in the case of non-compliance.

Figure 5. Follow-up system for internal audit recommendations


No electronic database/system, 4.8%
Internal IT application/database, 28.6%
Excel or equivalent spreadsheet, 38.1%
On-line system, 28.6%

96. Monitoring is conducted annually or semi-annually in most cases and quarterly at the United Nations and UNICEF.[56] On-line systems allow ongoing monitoring. In the view of Inspectors, semi-annual monitoring is perhaps more cost-effective than quarterly. In any case, monitoring should be carried out until the recommendations are effectively implemented or management has accepted the risk of not taking action. Only then can the decision to close a recommendation be taken by the internal auditors. In most organizations, however, implementation is monitored until completion is reported or, in the best cases, until evidence of completion is provided. Recommendations that have not been implemented are followed up for several years and subsequently restated or cancelled. The best practice is to follow up on actual implementation in the course of new audits of the same operation. In this regard, in 2008 OIA/UNICEF conducted a review of 75 per cent of the offices that had been previously audited in 2002-2007. The review found that 33 per cent of the recommendations previously closed by OIA - following an off-site desk review of supporting documentation submitted by the offices - were not sustained, that is, the actions taken by the offices to correct or control weaknesses were not maintained (E/ICEF/2009/AB/L.6, para. 39).

97. The acceptance and implementation of the audit recommendations is monitored at the level of the executive head, except at UNHCR and UNRWA, where such monitoring is done by the Controller and by the operational management team, respectively. In addition, for greater effectiveness, internal management committees at IAEA, UNDP, UNFPA, UNOPS and WFP oversee the implementation of recommendations.

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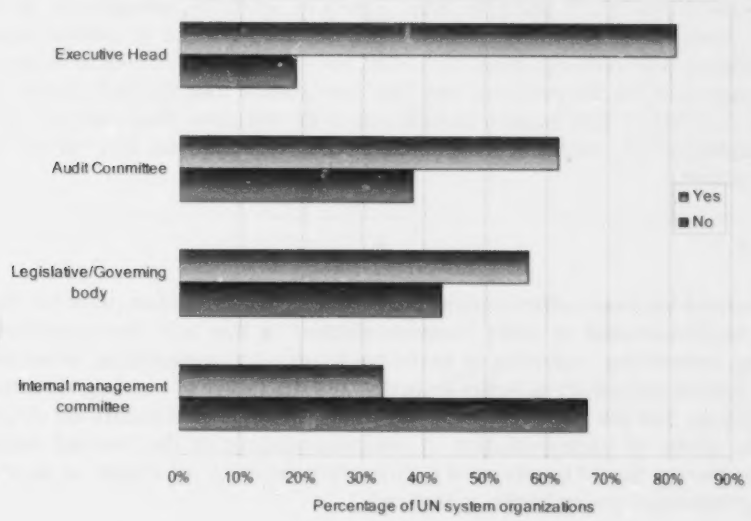
[55] The UNIDO system is not yet operational.

[56] Some organizations consider that annual monitoring is sufficient as the pace of implementation in certain cases is slow, especially when the matter is related to major strategic initiatives of the organizations.

At the United Nations Secretariat, for instance, the Department of Management monitors and reports quarterly to the Management Committee on critical recommendations of concern to OIOS and those recommendations outstanding for more than two years. The Secretary-General has set up a Compact to review the performance of senior managers at the United Nations Secretariat which measures among expected accomplishments the implementation of accepted oversight recommendations. At UNDP, the implementation rate of audit recommendations for each office, as calculated by OAI, is published as one of the business process indicators of the UNDP offices' performance "scorecard". The Inspectors consider this a good practice.

98. Audit/oversight committees, where available, also exercise monitoring, and the legislative/governing bodies are regularly informed about the implementation rate of recommendations at the time of annual reporting, including in many instances any management decision regarding any significant/high-risk recommendations that have not been implemented. The Inspectors consider this a good practice.

Figure 6. Monitoring of the implementation of audit recommendations



99. One of the best schemes was identified at UNDP, where an in-house developed system with a web-interface (CARDS) allows uploading of audit reports, on-line responding and monitoring of the implementation of audit recommendations by both client/managers and OAI.[57] Updates of the implementation status and related supporting documentation provided online by the country offices are immediately reviewed and validated by OAI regional audit centres In addition, OAI conducts semi-annual desk reviews of the implementation status of audits and on-site follow-up audits of activities rated "unsatisfactory" in previous audits. Semi-annually, OAI prepares a corporate report on the implementation status of audits. The average time to implement a recommendation is 18 months. Recommendations outstanding beyond 18 months are brought to the attention of the Executive Board in the OAI annual report. As a result, less than 1 per cent of recommendations issued between 1 January 2004 and 30 September 2009 are outstanding (DP/2010/31, para. 44).

[57] UNFPA also uses a version of CARDS and is in the process of updating its system with the UNDP version.

100. Recommendations and their implementation should address critical issues and be SMART (specific, measurable, results oriented, achievable and time bound). In this regard, United Nations managers felt overloaded by the number of oversight recommendations received, mostly from internal audit, including some addressing minor issues. OIOS issued 168 audit reports in 2009 containing 1,810 recommendations, of which 647 were critical, for an average of 11 non-critical and 4 critical recommendations per report.[58] They represent US$ 40 million in savings, recovery of overpayments and efficiency gains. In this regard, IAAC has recommended, without making any judgment on the number of recommendations, that OIOS and management should focus on the quality of recommendations and the value added, rather than their quantity (A/64/288, annex, para. 35).

101. Interviewees also revealed that the same recommendations were repeated time and again. The Inspectors consider that the reason is that in most cases management has not set up adequate corrective controls and systems to identify systemic weakness and cross-cutting issues, to disseminate them and feed them back into the planning process, and train staff on related rules and procedures. OIOS, UNDP, UNFPA and UNICEF report on recommendations by risk category, risk area, causes of weakness and recurrent findings, in line with the internal control framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO)[59], in order to direct corrective action by management. In its resolution 64/232 (para. 12), the General Assembly requested the Secretary-General to address recurring OIOS recommendations dealing with systemic issues. At UNDP, however, the AAC noted in its annual report for 2009 that it was pleased to see the proactive way that management uses the audit results (DP/2010/31, appendix, para. 5). At UNIDO, IOS includes in its report to the executive head statistical information on outstanding recommendations by causes of weaknesses, process, organizational unit and age, as well as on recurring recommendations.

Recommendation 9

Senior management and internal audit/oversight heads should, as appropriate, improve their systems to follow up the implementation of audit recommendations in line with best practices including electronic tracking, monitoring, reporting to executive heads or a management committee at least biannually and to governing/legislative bodies annually, and disclosure of non-implemented high-risk audit recommendations. For the same reason, senior management should ensure timely provision of information on the status of implementation of recommendations to the internal audit/oversight heads. Necessary resources should be allocated to strengthen/establish the system or approval should be sought from legislative/governing bodies to that end.

L. Evaluation of the internal audit function

102. The internal audit services are required to have a formal quality assurance and improvement programme,[60] which is an ongoing and periodic assessment of the quality of the audit activity. One third of the United Nations audit services surveyed do not have such a programme in place (ICAO, IMO, ITU and UPU).

103. The Inspectors reiterate JIU recommendation 13, contained in the Oversight Lacunae report that "the legislative bodies in each organization should direct their respective executive heads to ensure independent

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[58] Internal OIOS data.

[59] COSO is a voluntary private-sector organization dedicated to guiding executive management and governance entities toward the establishment of more effective, efficient and ethical business operations on a global basis. It sponsors and disseminates frameworks and guidance based on in-depth research, analysis and best practices.

[60] IIA Standard 1300.

quality assessment, for example through peer review, of the internal oversight entity, at least once every five years".[61]

104. The quality of the audit activity can be evaluated in a number of ways, such as self-assessment, feedback/survey of clients and stakeholders, a review by IIA or through self-assessment with independent validation. Audit Committees and external auditors may also review the internal audit performance and currently do so in most organizations at the United Nations in different ways, as discussed further in the present report.

105. The frequency of quality assessments varies by organization. After each audit, internal assessments are carried out at IAEA, United Nations, UNDP, UNESCO, UNFPA, UNHCR, UNICEF, WHO and WFP, and may include a survey of the client. Every five years, external assessments are done at FAO, ILO, UNDP, UNRWA, WFP, WIPO and WMO. UNFPA is conducting an external assessment in 2010 and conducted its last self-assessment with IIA facilitation in 2006. These examples represent best practices.

106. Periodic external assessments cover the entire audit activity and are required by IIA standards. Some internal audit services combined a self-assessment with an external assessment to validate the results, for example, at IAEA, United Nations, UNDP, UNESCO, UNFPA, UNHCR, UNICEF, UNIDO and WHO.[62] This latter assessment is generally less costly compared to an external assessment. Based on the external quality review an opinion is given about the conformity with IIA standards. The Inspectors determined that at the last review performed, the audit activity at United Nations organizations was:

- In general conformity at ILO, UNDP, UNHCR, UNOPS, UNESCO, UNICEF, WFP, WHO, WIPO and WMO
- In partial conformity at FAO, IAEA, United Nations, UNFPA, UNIDO and UNRWA

107. In principle, the results of such an assessment should be communicated to all stakeholders for the sake of transparency and accountability. This was however found to be a standard practice only at UNDP, UNFPA, UNICEF, UNOPS, WIPO and WMO.[63]

Recommendation 10

To ensure transparency and accountability, the legislative/governing bodies at the United Nations system organizations concerned should ensure that internal audit is subject to independent external quality assessment or self-assessment with external independent validation in line with the Institute of Internal Auditors (IIA) standards every five years and should ascertain that corrective action is taken to bring the internal audit activity into general conformity with IIA standards.

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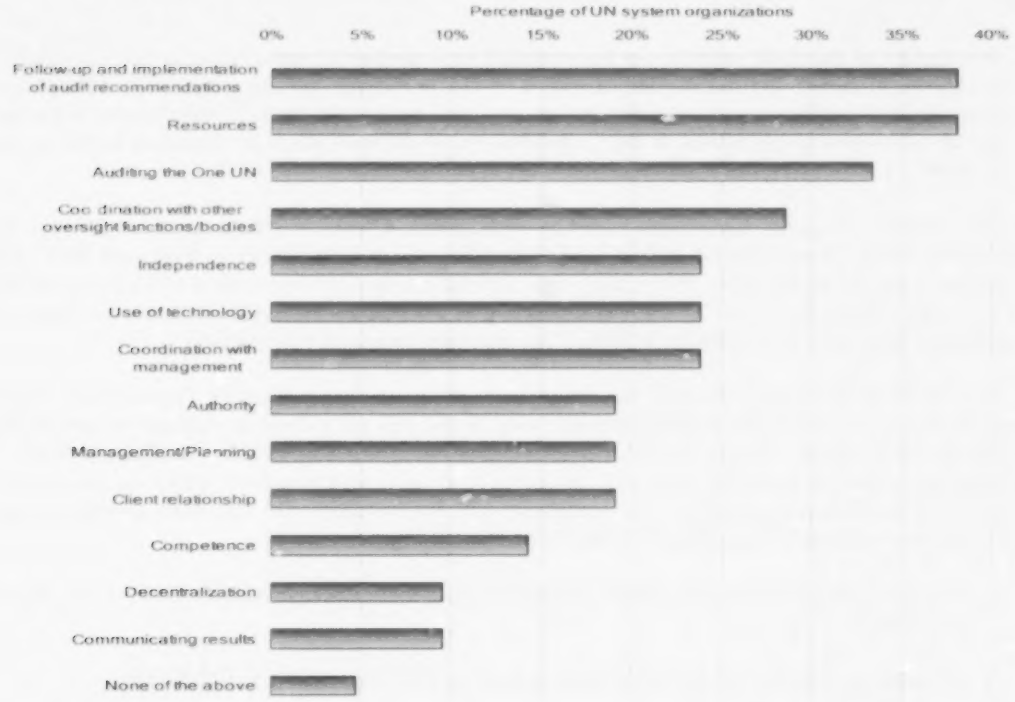
[61] JIU/REP/2006/2, recommendation 13, p. 13.

[62] WIPO has a self-assessment process in line with IIA standards and practice which has not yet been externally validated, since its internal audit section is not yet three years old. UNIDO used, for cost reasons, the self-assessment and external validation method, the validator being the IIA.

[63] At FAO the result of the last external quality assurance review of the internal audit was communicated to the governing body through the relevant annual report of the Office of Internal Audit, Inspection and Management Control.

Figure 7. Significant challenges/constraints faced by internal audit/oversight heads



108. As shown in figure 7, in assessing the performance of the audit function at their organizations, heads of internal audit/oversight were mostly satisfied with the internal audit contribution to the organization's governance, risk and control processes, with few exceptions. Among the major challenges/constraints faced currently, they cited the follow-up and implementation of audit recommendations, resources, auditing the "One United Nations" and coordination with other oversight bodies. While the last two are unique to the United Nations system, the first and second challenges are common to the audit activity as a public function and to a certain extent to the audit activity in the private sector as well.

III. EXTERNAL AUDITING

A. Definition

External audit refers to audit carried out by a body that is external to, and independent of, the organization being audited. The purpose is to submit to the legislative/governing bodies of the organization concerned an opinion and report on the organization's accounts and financial statements, the legality and regularity of its operations, and its financial management procedures and financial performance in accordance with the applicable financial regulations and rules. Organizations responsible for the external audit of government activities most often report directly to parliament, and are referred to as supreme audit institutions (SAIs). SAIs provide the highest level of external audit of government bodies in a country and are eligible to be candidates as external auditors at the United Nations system organizations.[64]

109. Although external auditors are not, by definition, formally part of an organization, they play a fundamental role in boosting public confidence in the reliability of financial reporting and the internal control system of the organization. At the United Nations organizations, external auditors are Auditors-General of Member States/SAIs reporting to the legislative/governing bodies of each organization independent of the Government of their own country.

B. Mapping of external audit

110. Table 2 depicts the SAI assignments by United Nations organizations in 2010. The same SAI may have audit engagements at several organizations:

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[64] International Organization of Supreme Audit Institutions (INTOSAI), best practice example of FRR concerning audit arrangements in international institutions, 2004, and OECD, Sigma External Audit & Financial Control Glossary, p. 19.

Table 2. Supreme audit institutions by United Nations organization (2010)

Country of SAI	Member of United Nations Board of Auditors	Organization	End office term
Canada		ILO	31/12/2011
China	Until June 2014	DPKO	30/06/2014
		UNICEF	30/06/2014
France	Until June 2010	United Nations (except DPKO)	30/06/2010 (replaced by United Kingdom)
		ICAO	31/12/2010 (extended to 31/12/2013)
		UNESCO	31/12/2011
Germany		IAEA	30/06/2010 (extended to 2012)
India		IMO	30/06/2012
		WHO	31/05/2012
		UNWTO	31/12/2011
		WFP	30/06/2016
Pakistan		UNIDO	30/06/2012
Philippines		FAO	31/12/2011
South Africa	Until June 2012	UNDP	30/06/2012
		UNFPA	30/06/2012
		UNOPS	30/06/2012
		UNRWA	30/06/2012
Switzerland		ITU	31/07/2012
		WIPO	31/12/2011
		UPU	31/07/2013
United Kingdom of Great Britain and Northern Ireland	From July 2010 to June 2016	PAHO	31/12/2011
		United Nations (except DPKO)	30/06/2016
		WFP	30/06/2010 (replaced by India)
		WMO	30/06/2012

111. Some United Nations-related organizations (IFAD and World Bank) and non-United Nations organizations (IFRC, Global Fund) nominate private audit firms as external auditors, among the so-called "big four" (PricewaterhouseCoopers, Deloitte & Touche, KPMG, and Ernst & Young) which represent the largest international audit firms in the world, mostly handling audits of publicly traded companies as well as many private companies.

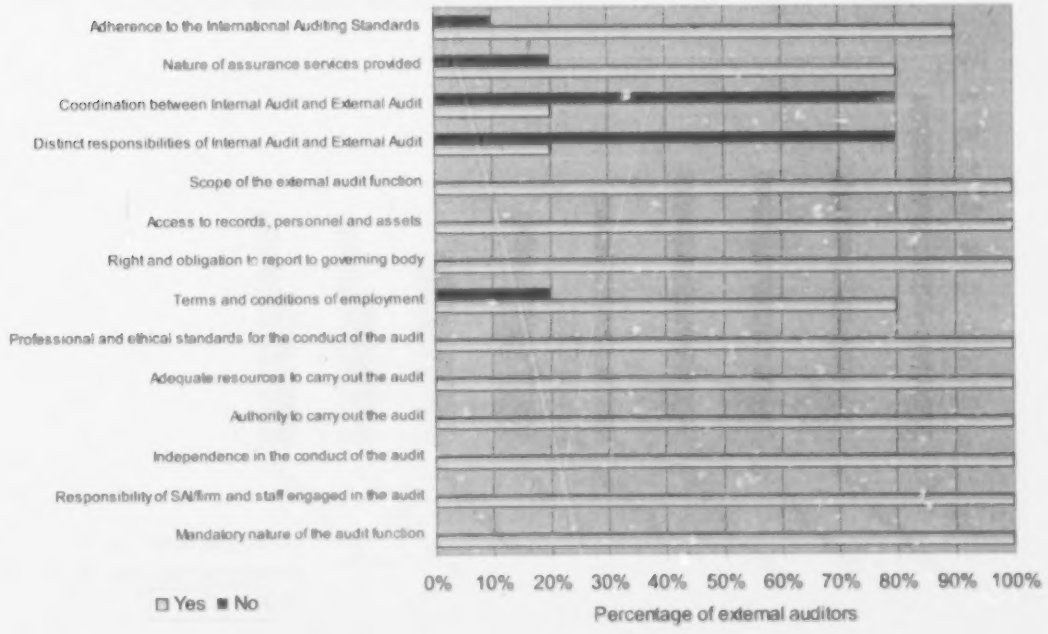
112. Only four external auditors (France for UNESCO, Germany for IAEA, India for WHO and United Kingdom of Great Britain and Northern Ireland for WFP) have a permanent presence at their audited organizations. The BoA is also permanently located at the United Nations headquarters in New York. All others have intermittent physical presence and are permanently based in their home country. **In the light of interviews with external auditors, the Inspectors are of the opinion that external auditors who have a permanent presence at the auditee headquarters are in a better position to fully assume their duties, although full-time presence in the audited organization has cost implications.** Some external auditors

stated that they are equally capable of delivering efficient and effective audit through focused visits and ensuring a high audit quality.

C. Mandate, legal framework and scope

113. The FRR at each organization should clearly and formally define the external audit activity's mandate, authority and responsibility. A written agreement, letter of engagement or contract would serve to regulate their work. In principle the relevant agreements, contracts and FRR should define the nature and scope of the external audit function, the responsibility of the SAI and the staff engaged in the audit, the independence and access to records, personnel and assets in the conduct of the audit, the authority and adequate resources to carry out the audit, the professional and ethical standards applied, the terms and conditions of employment and the reporting requirements. Such provisions are generally included in the relevant documents at the audited organization, except for the nature of assurance provided at ICAO. Gaps were also identified in the definition of the terms of office and conditions of employment of external auditors and the distinction of responsibilities and coordination between internal and external auditors,[65] as shown in figure 8 and discussed in more detail in chapter V of the present report.

Figure 8. Content of agreement, contract or relevant financial regulations and rules regulating external audit[66]


Adherence to the International Auditing Standards
Nature of assurance services provided
Coordination between Internal Audit and External Audit
Distinct responsibilities of Internal Audit and External Audit
Scope of the external audit function
Access to records, personnel and assets
Right and obligation to report to governing body
Terms and conditions of employment
Professional and ethical standards for the conduct of the audit
Adequate resources to carry out the audit
Authority to carry out the audit
Independence in the conduct of the audit
Responsibility of SAI/firm and staff engaged in the audit
Mandatory nature of the audit function
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
Percentage of external auditors
Yes
No

114. In order to enhance the work of the external audit function, some SAIs regularly assess their audit engagements even if the responsibility for establishing adequate audit arrangements rests with the audited entity.

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[65] For more information, see chap. V, sect. C on coordination between internal and external auditors.

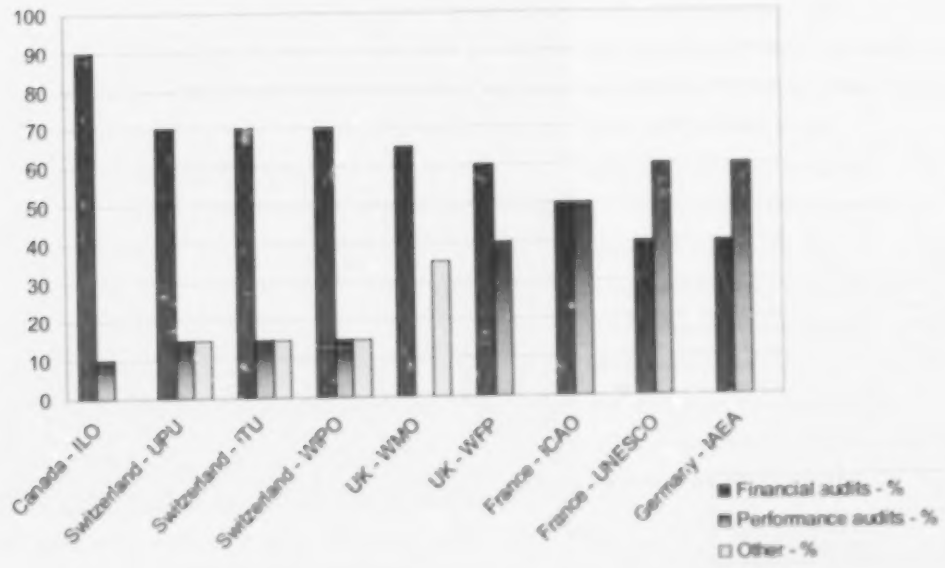
[66] All figures of chapter III on external auditing are based on SAIs auditing JIU participating organizations who responded to the survey, which account for 45 per cent of the total organizations surveyed.

115. Likewise, in the United Nations system organizations external auditors may raise this issue proactively when the auditee lacks initiative. United Nations system organizations should periodically review their FRR concerning external auditing in line with developments in the profession, organizational changes, new auditing standards and applicable practices. For instance, the National Audit Office of the United Kingdom auditing WFP reported that the mandate of the external auditor had been reviewed in the last five years. The BoA engagement was revised in 2001 to change the term of office of its members.[67] Three SAIs indicated that their mandate had not been reviewed.

116. A revision of the external auditor's mandate might be required to take into account the implementation of IPSAS throughout the United Nations system, in certain instances to change the frequency of external audit verification of the organization's financial statements in order to perform more compliance tests. Although annual audit verification is not expressly required by IPSAS, the Panel of External Auditors, at its December 2009 meeting, confirmed that all United Nations organizations should adopt annual external audits in order to ensure maximum credibility and transparency of the IPSAS financial statements. WHO has recently issued an amendment to its Financial Regulations to reflect such a change.[68]

117. Further, although the external audit mandate primarily concerns financial audit, it should also include performance audits and other special audits. Some SAIs are more inclined than others to conduct performance audits, as shown in figure 9.

Figure 9. Type of audits performed by supreme audit institutions surveyed



118. Notwithstanding the right and duty to conduct performance audits, the Inspectors consider that the external auditors should continue to give priority to the certification of financial statements with a view to ensuring public accountability of the respective organization, particularly in the light of the introduction of IPSAS.

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[67] General Assembly resolution 55/248.

[68] WHO, report by the Secretariat on amendments to the Financial Regulations: implementation of the International Public Sector Accounting Standards (IPSAS) and frequency of external audits, document A63/34.

119. To conclude, in the Inspectors' view, even when there is no immediate need to change the established mandate, the terms of engagement of the external auditor should be periodically reviewed, as necessary. Independent audit/oversight committees should be involved in the said review process, to enhance controls and compliance as stipulated in recommendation 11 below.

Recommendation 11

The legislative bodies should request the independent audit/oversight committees at United Nations system organizations to review the performance and mandate/audit engagement of external auditors at least every five years, in consultation with the executive heads, and to submit the outcome of such review to the legislative/governing bodies as part of their annual report.

D. Independence and objectivity

120. According to the Lima Declaration of Guidelines on Auditing Precepts,[69] SAIs require independence in order to carry out their tasks. INTOSAI emphasizes in its guidance that external auditors should be fully independent in the conduct of their audit,[70] and the fundamental importance of independence was further recognized in the Mexico Declaration on SAI Independence (International Standards of Supreme Audit Institutions (ISSAI) 10).[71] External auditors should also be fully independent from their own Governments, and represent a truly independent source of information to the legislative/governing body on the accuracy and reliability of financial statements and internal controls of the organization.

121. No SAI declared any case of impairment of or interference with its independence and objectivity during the last five years. The following threats were however identified by the Inspectors.

1. Scope of external auditing and performing work

122. The scope and nature of the external audit engagement should be exclusively defined by the legislative/governing body. At some organizations, such as WMO, executive heads may request external auditors to perform additional work. The external auditor should carefully consider any such request with due regard to the external auditor's independence and implications to the audit plan and consider it in the light of his or her mandate. The Inspectors believe that managers should address any request for any additional work from the external auditors to the relevant legislative/governing body in consultation with the audit/oversight Committee.

2. Conflict of interest and financial disclosure statements

123. There is a need for objectivity in all work conducted by the external auditors. Any audit opinion should be exclusively evidence-based and obtained in accordance with international audit standards, including those of INTOSAI, and the INTOSAI Code of Ethics for auditors in the public sector.[72] It is standard professional practice that external auditors should disclose any potential conflict of interest that could impair their ability to perform objectively. **The Inspectors noted that less than half of the external auditors reported that they were required to make such a disclosure at the level of the audit client/auditee and at the level of the audit assignment.**

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[69] Adopted in October 1977 at the Ninth Congress of INTOSAI, the Declaration set out the objectives of public sector auditing and recognized the important role of SAIs in public financial management.

[70] INTOSAI, "Audit of international institutions: guidance for supreme audit institutions (SAIs)" (Olso, 2004), p. 7.

[71] Adopted by INTOSAI at its Nineteenth Congress in 2007.

[72] Approved at the Sixteenth Congress of INTOSAI.

124. Further, it is essential that external auditors maintain confidentiality regarding audit matters and information about an auditee acquired in the course of their audit duties.[73] In particular, external auditors, including their staff, should not use this information to obtain personal benefits for themselves or for third parties. In this regard, external auditors should file a financial disclosure statement in accordance with the established mechanism in each organization, in order to report any possible financial interests that may conflict with their audit duties. However, only the external auditor at the ILO was required to make such a statement.

125. Finally, external auditors should also avoid any potential conflict of interest by refusing fees, gifts, entertainments or gratuities from the auditees, which could influence or be perceived as influencing their independence. In conformity with the IIAs and relevant provisions of the Code of Ethics the SAIs surveyed declared they were required to do so. However the FRR of the auditees state only that audits shall be conducted in conformity with generally accepted common auditing standards, without any clear reference to potential conflict of interests.

126. **As already recommended for internal auditors and previously in the Oversight Lacunae report, the Inspectors reiterate that external auditors should be subject to financial disclosure and should declare any potential or apparent conflict of interest. The Inspectors note, however, that external auditors who are independent of the audited organizations are also members of the national professional accounting bodies in their respective countries, and as such subscribe to codes of ethics which adequately address the issue of conflict of interest.**

3. Selection/appointment of external auditors

127. According to INTOSAI Standards,[74] the FRR should formalize the selection process and criteria applied to select the external auditor. However, within a sample of 10 FRR reviewed, only UNESCO and WHO have done so. There is no agreed uniform written policy within the other United Nations system organizations regarding the process of selection and appointment of external auditors, apart from the fact that they are appointed by the legislative/governing body of the relevant organization, by secret ballot if there is no consensus on the candidate. Best practices at OECD, WIPO and the World Bank include the involvement of the audit/oversight committee in the selection process.

128. The Inspectors consider that any selection process should be based on transparency, professionalism/competency, competitiveness and equal opportunity to all. All Member States at each organization should be invited to submit a formal proposal based on pre-established requirements. In line with best practices, audited organizations should define detailed requests for proposals to clarify the requirements and conditions of engagement, and clearly outline the documentation/information that candidates should provide in the proposal. Such proposals must include at least a description of the audit approach, curricula vitae of auditors, professional experience, number and level of staff to be involved, work months and audit fees, including salaries and allowances, if any, and a confidentiality statement.

129. The Inspectors could not ascertain to which extent the above criteria were effectively applied. One external auditor reported that the selection process did not provide equal opportunities for all. Some SAIs declared that they were simply invited to submit a proposal and their proposals included several of these requirements. At the United Nations, a simple letter of invitation to propose candidates is addressed to Member States.

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[73] INTOSAI, "General standards in Government Auditing and standards with ethical significance", ISSAI 200, para. 2.46.
[74] INTOSAI, "Principles for best audit arrangements for international institutions" (ISSAI 5000), principle 7, para. 7.3.

130. **The Inspectors consider that the following criteria reflect the minimum requirements in the selection process of the external auditor by the legislative/governing body and therefore should be followed:**[75]

(a) Invitations should be sent to the representatives of all Member States and through them to their national SAIs, requesting nominations for appointment as external auditor;

(b) A detailed request for proposals should be prepared and sent to those countries that have nominated candidates. The request for proposals should include at least the following: tender procedures and conditions; clear instructions for the completion of those documents to be submitted as part of the proposal and a description of the requirements including audit approach, auditors CVs, candidate's fees including travel and other supplementary costs; and other requirements. The tender conditions should include the submission terms and closing date and an indication that incomplete proposals will be disregarded;

(c) An independent and qualified selection panel, composed of five to seven members in consultation with the audit/oversight committee, should be appointed;

(d) Once the closing date for receipt of formal proposals has expired, the proposals should be pre-selected through a preliminary technical assessment. The selection panel should agree on a short list of candidates to be invited to make an oral presentation and interviewed. The panel then should seek the views of the audit/oversight committee which will oversee the selection process and of the internal audit head, prior to submitting a recommendation with detailed explanations to the legislative/governing body;

(e) The legislative/governing body should formally approve and appoint the recommended candidate;

(f) An audit engagement contract should be established.

131. Further, **the Inspectors are of the opinion that in selecting the best candidate, due consideration should be given to: the number of ongoing audit engagements by SAIs; the need to diversify geographical representation; ensuring rotation of SAIs; and, finally, ensuring that the country of the SAI be different than the organization's host country and/or of the country nationality of the executive head, so as to prevent any potential conflict of interest.** In this regard, the review found that some SAIs are engaged at several United Nations organizations at the same time, and that the same SAIs are recurrently selected without observing the principle of rotation. At ITU, UNESCO, UPU and WIPO, the SAIs are from the host country of the headquarters and at ICAO, the SAI is from the same country as the organization's Secretary-General.

4. Terms of office of external auditors

132. It is widely recognized that mandatory rotation of SAIs enhance the external auditor's independence in fact and appearance, brings "fresh eyes" and provides a variety of experience. In the private sector, there is even a requirement/policy to rotate the lead engagement partner and the audit teams. Furthermore, the lead engagement partner is suggested to stay off the engagement for five years as a "cooling-off" period.

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[75] The proposed criteria are based on WIPO document WO/GA/38/15, which outlines a selection process comparing the appointment procedures of external auditors in FAO, ILO and WHO.

133. The legislative/governing body should decide an appropriate length of appointment for the external auditor to balance the needs for independence and continuity. Factors that may influence the length of appointment are costs and benefits of changing auditors, the availability of SAIs and the complexity of the operations.

134. In the past, terms of office at some organizations, including IAEA, ITU, UPU and WIPO, were unlimited. At ITU, UPU and WIPO the external auditor has not changed since the organizations were established.[76] The appointment's tenure generally varies between two years in some organizations (IAEA, UNIDO) and six years in others (United Nations and its funds and programmes, WFP, WIPO). In few cases, the term of appointment is renewable once (ICAO and WMO). At the United Nations, a BoA member can be re-appointed only after a break equivalent to one term.

135. On the one hand, a rotation period of two to three years might be too short because of the time needed to become familiar with the audited organization. On the other hand, a single term exceeding six years or a renewable term of office might be too long and the auditor can become too close to the client. **The Inspectors are of the opinion that a single term of six years, not immediately renewable, is a best practice that should be adopted by the United Nations organizations**.

5. Appointment to internal function within the audited organization

136. According to best practices, external audit staff should not be allowed to take up an executive position in the audited organization until a certain number of years (no fewer than three) after the end of his/her involvement in the audit engagement. Among the United Nations organizations interviewed and surveyed only UNESCO and WFP bar the external auditor from such subsequent appointment. There is no rule that prevents such appointment at the majority of the United Nations system organizations.

137. The Inspectors underline that in recommendation 5 in the Oversight Lacunae report, JIU recommended that the legislative bodies should direct that external auditors be barred for a period of three years from taking up executive functions in those organizations for which they have had oversight responsibilities.[77] The implementation of the following recommendation would enhance accountability.

Recommendation 12

The legislative bodies of the United Nations system organizations should, after consulting the independent audit/oversight committee, select an external auditor among competitive and interested supreme audit institutions (SAIs) for a term of four to six years, not immediately renewable. Candidacies should be screened by a subsidiary committee of the legislative/governing body against established criteria/requirements including rotation and geographical representation.

E. Competence

138. INTOSAI Standards require that external auditors possess relevant audit professional certifications and qualifications, and other competences to effectively conduct the audit engagement.[78] All external auditors declared that they were compliant with this requirement. In addition, many admitted that they hired consultants to bring in the necessary skills and add value. In most cases plans are in place to ensure that external auditors enhance their knowledge, skills and professional development.

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[76] At WIPO the FRR were changed in 2008 to allow rotation of the external auditor. The new SAI will take over in 2012.
[77] JIU/REP/2006/2, p. 8.
[78] "General standards in government auditing and standards with ethical significance" (ISSAI 200), paras 2.1 (c) and 2.33.

139. An additional requirement at the United Nations should be a good knowledge of the financial system, accounting principles in place and the working languages of the secretariats of the organizations. Regrettably, this is not always the case for external audit staff, as pointed out by some managers.

F. Managing the audit activity

140. External auditors should establish risk-based audit plans and time schedules to determine the priorities of the audit activity. All external auditors of United Nations organizations prepare such audit plans and schedules based on their own assessment of risks and materiality. Some SAIs may take into account the audited organization's risk management frameworks where available as well as the inputs from the legislative/governing body, senior management, internal auditors and, to a lesser extent, from audit/oversight committees as provided for under International Standards on Auditing.

141. In line with best practices, the external auditor should be aware of the work and plans of the internal auditor in preparing the external audit plan, to avoid unnecessary duplications and to evaluate the impact of internal audit engagements on relevant audit procedures and activities. While in many instances plans are exchanged, only one of nine SAIs indicated that it placed full reliance on the work of internal auditors, three placed limited or ad hoc reliance on such work and two placed no reliance. **However, the Inspectors were informed by some external auditors that they can only place reliance on internal audit reports when they are relevant and where they are of sufficient quality. The Inspectors consider this an area of concern which should be addressed by the audit partners concerned.** In addition, as indicated in chapter V below, audit/oversight committees should ensure coordination of the internal and external audit plans and work.

142. Rotating appointments could present a challenge for the audited organization and for both the outgoing and the incoming external auditors if not properly managed. Without proper handover procedures, the audit continuity could be affected. The survey shows that only 50 per cent of the SAIs had handover arrangements in place. In one instance it was reported there was no clear evidence of the status of implementation of the recommendations issued by the former SAI. The Inspectors consider this a serious weakness. Relevant provisions should be included in the contract terms of the audit engagement in the light of the procedures agreed by the PEA; failure to comply should be recorded as a breach of the terms of the contract. In addition, handover arrangements prescribed by the PEA should be observed.

143. **The Inspectors are of the opinion that the legislative/ governing bodies of the United Nations system organizations should require that relevant procedures/check lists should be put in place and outgoing and incoming external auditors should be required to apply them and to sign a handover agreement to ensure audit continuity, in line with INTOSAI Standards.**[79]

144. According to the relevant JIU report, WFP is the only United Nations organization to have successfully implemented IPSAS.[80] Eight organizations (ICAO, IMO, ITU, PAHO, UNESCO, UNIDO, WIPO, WMO) adopted IPSAS by the original target of 2010,[81] and their compliance will be evaluated by their external auditor in the course of 2011. The implementation of IPSAS requires additional commitment of time and effort from the staff of each organization and external auditors that play a significant role in certifying the compliance of the financial statements. **The Inspectors reiterate the need for the establishment and maintenance of a bilateral dialogue between the organization audited and its external auditor(s) on the transition to IPSAS to help ensure that both external and internal auditors gain in-depth**

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[79] INTOSAI, "Audit of international institutions: guidance for supreme audit institutions (SAIs)" (Oslo, 2004), pp. 23-24.
[80] "Preparedness of United Nations system organizations for the International Public Sector Accounting Standards (IPSAS) (JIU/REP/2010/6), para. 161.
[81] Ibid., para. 162.

understanding of the new system and its impact on control procedures as the implementation of IPSAS would require migration to accrual-based accounting.[82]

G. Audit resources

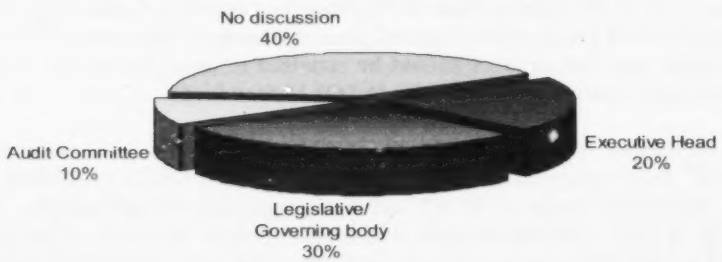
145. United Nations organizations are mostly financed through contributions from Member States. UPU, ITU and WIPO do not pay an audit fee but do pay travel costs and daily subsistence allowance by auditor day/engagement.

146. United Nations organizations must provide adequate audit resources and facilities to the external auditors for the proper discharge of their duties and bear the full cost of the audit, bearing in mind the candidates' bids. One SAI was not satisfied with such resources/facilities. Other SAIs may charge only direct costs and not full audit costs. In this regard, any additional cost incurred by the SAI should be disclosed. However, the full audit costs were known to the legislative/ governing body of the audited organizations in 60 per cent of the reported cases.

147. The level of audit resources allocated at each organization depends on the size and complexity of the operations. At the organizations responding to the JIU query, the number of days per year required to complete the audit engagement varied from 170 to 1,013 and the annual external audit budget for 2009 ranged from US$ 187,000 (at WMO) to US$ 487,500 (at ILO). At the United Nations, the budget of the BoA and its secretariat was US$ 10,337,550 for 2009.[83] The external audit budget has increased in the last five years at WFP and WMO due to the move from biennial United Nations System Accounting Standards audits to annual IPSAS audits and to the relevant workload.

148. In order to evaluate the adequacy of the external audit resources, budget requirements should be reviewed by the audit committee, where available, prior to the budget approval by the legislative/governing body, bearing in mind that the external auditor should be held accountable to do the audit work required in line with the acceptable professional standards set out by INTOSAI and IFAC. In practice, there were no budget discussions in 40 per cent of reporting organizations. The audit/oversight committees and legislative/governing bodies were involved in only 10 per cent and 30 per cent of the organizations, respectively.

Figure 10. External audit budget consideration



149. The Inspectors reiterate recommendation 3 (b) of the JIU report on oversight lacunae, namely that "the legislative bodies should decide that the proposed fees and terms of engagement of the external auditors should be submitted to the respective governing body through the external oversight board [audit committee] of each organization".[84]

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[82] Ibid., p. 43, best practice 14.
[83] Proposed programme budget for the biennium 2010-2011 (A/64/6 (Sect. 1)), p. 11, table 1.11.
[84] JIU/REP/2006/2, page 7.

H. Communicating results

150. All external auditors of United Nations organizations communicate in writing the audit results in a report to the legislative/governing bodies and, subsequently, are invited to introduce their audit reports to the respective bodies and respond to questions.

151. Before submitting their reports to the legislative/governing bodies, the external auditors share the draft reports with management and with the audit/oversight committee, where appropriate, for comments. Comments by management are reported in 80 per cent of SAIs surveyed; comments by the audit/oversight committee in 10 per cent.

152. The reporting frequency to the legislative/ governing body is annual (50 per cent) or biennial (50 per cent), in line with biennial budgeting. The lack of formal reporting in off-budget years could represent a gap in the effectiveness of the external audit. In any case, the IPSAS implementation would require annual reporting at all organizations.

153. The content of audit reporting varies from one organization to the other. An audit opinion is provided and control issues are discussed in all instances, as required. Audit results and implementation of recommendations are generally included. Audit activities, fraud, governance and risk issues are presented to a lesser extent, as applicable.

154. More than half of the SAIs responded that their reports were available only on the Intranet of the organization. They were unsure as to whether and to what extent classified and confidential information should be publicly disseminated. **The Inspectors are of the view that all external audit reports submitted to legislative bodies/governing bodies should be available on the organizations' website for increased transparency and accountability; this may entail a few exceptions related to classified and confidential information.**

155. In providing an opinion on the financial statements of the audited organizations during the last five years, the external auditors expressed modified opinions in several instances.

156. Some external auditors indicated that they faced time constraints in preparing their reports within a very short period of time following the receipt of the financial statements. At IAEA for instance, the SAI had less than one month.

Recommendation 13

To enhance accountability and transparency, the legislative/governing bodies should require that the financial statements be finalized no later than three months after the end of the financial period to enable the external auditor to submit his/her report, first to the audit/oversight committee and then, no later than six months after the end of the financial period to the legislative/governing body, and to have it published on the website of the organization.

I. Quality assessment of the external audit function

157. According to INTOSAI auditing standards,[85] SAIs should have an appropriate quality assurance system in place which consists of steps and techniques that the SAI auditors must follow to ensure good quality audits.

158. Quality assurance reviews are part of the overall quality assurance system. All SAIs reported conducting self-assessments and being subject to internal or external peer reviews. Members of the BoA indicated that they conducted peer reviews among themselves of the relevant draft management letters/reports, which were also occasionally peer reviewed at the auditees' headquarters. At IAEA, the Pan American Health Organization (PAHO), WFP and WMO, the auditees' feedback is sought. In the case of the BoA, quality assurance procedures are both internal and external. Internal quality assessment includes the review of work done at various levels as well as peer reviews among board members. External quality reviews mainly relate to adherence to the requirements of the International Standard on Quality Control 1, which include risk-based pre-issuance and post-issuance reviews.

159. The United Nations has not set up any requirement concerning the evaluation of the audit engagement and performance of the outgoing external auditors. Each SAI decides how to proceed in this respect. It is therefore unclear to the Inspectors whether, how and when the performance of the United Nations system organizations' external auditors is assessed, in particular at the end of their tenure. **At minimum, the performance of the external auditor should be evaluated at the end of his or her tenure for the records, in case he or she becomes, in the future, a candidate for the same position (see recommendation 12). The Inspectors consider the above as a loophole in the external audit function at the United Nations system organizations that should be resolved by the legislatives/governing bodies.**

J. Follow-up to external audit recommendations

160. According to INTOSAI practices, SAIs should "have in place their own internal follow-up system to ensure that the audited entities properly address their observations and recommendations".[86] In addition, SAIs should report to the legislative/ governing bodies on the implementation of audit recommendations and to the audit/oversight committees, where appropriate, in line with best practices.[87]

161. All SAIs reported having a follow-up system in place. However, the efficiency of the system varies from manual to electronic databases. The frequency of monitoring also varies; it is mostly annual (44 per cent) or biannual (33 per cent) in line with reporting requirements. The status of implementation of recommendations is monitored in the course of new audits in most instances.

162. Follow-up of the audit recommendations is usually performed by the external auditor, but in some cases, it is done by the Office of the Controller (WHO) or the internal auditors (ICAO). The audit/oversight and management committees may also oversee the follow-up, as at ICAO, ILO, WFP and WMO. In the United Nations, the BoA was concerned about the low rate of recommendations implementation, and the Management Committee had promised concerted efforts towards emphasizing the need for and monitoring implementation, as noted by the IAAC (A/64/288, paras. 13 and 14).

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[85] INTOSAI, *Code of Ethics and Auditing Standards* (Stockholm, Auditing Standards Committee, n.d.), paras. 2.1.26 to 2.1.35.
[86] INTOSAI, "Guidelines and good practices related to SAI independence" (ISSAI 11), principle 7.
[87] Ibid.

163. Implementation is reported to the legislative/governing body at ITU and WIPO.[88] Such reporting does not comprise information about management decisions of non-implemented significant/high risk recommendations.

164. **The Inspectors are concerned with the low rate of implementation of the audit recommendations at some organizations and believe that annual reporting to legislative/governing bodies may drive increased effectiveness and accountability, in particular with regard to high-risk recommendations and in the context of the implementation of IPSAS.**

K. Implementation of the single audit principle

165. The single audit principle is intended to provide cost-effectiveness, in that one audit is conducted in lieu of multiple audits of individual programmes.[89] On the basis of United Nations Financial Regulation 7.6, which provides that the BoA is solely responsible for the conduct of the external audit, the PEA has taken an official position on this issue in several instances and has written on numerous occasions to the Secretary-General as Chairman of the Administrative Committee on Coordination (ACC, now the United Nations System Chief Executives Board for Coordination). In its first letter of January 1993, the Chairman of the Panel indicated that if special reviews/audits were required, the governing body was to request the appointed external auditor to carry them out and report accordingly. Any such request may carry extra fees.

166. Subsequently, the Secretary-General sent a letter to the ACC for examination of this issue and transmitted the relevant ACC statement to the General Assembly in his report on independent audits and management reviews of activities of the United Nations system (A/48/587) suggesting the endorsement of the views and recommendations of the Panel, supported by the ACC (para. 4). The ACC stated that it was not in favour of independent audits of individual funds, while acknowledging that some degree of flexibility was desirable for external management reviews (A/48/587, annex, paras. 7-8). The General Assembly in its resolution 49/216 of December 1994 took note of the said report.

167. During the same year, the United Nations and the European Commission signed an agreement in order to fulfil the latter's legal requirements so that funds could be provided to the United Nations on the application of the verification clause to operations administered by the United Nations and financed or co-financed by the European Commission. The agreement provides that "the European Communities may undertake, including on the spot, checks related to the operations financed by the European Communities".[90] Representatives of the European Commission "will be given access to the site of the project and/or the headquarters of the United Nations Secretariat or relevant organization or programme" and United Nations staff "will supply all relevant financial information and will explain to the European Commission representatives, with appropriate concrete examples, how the accounts are managed and the procedures observed to ensure transparency and accuracy in the accounts and to guard against the misuse of funds and fraud".[91] The agreement also provides that the United Nations "will refer those requests to the United Nations Board of Auditors to respond as necessary".[92]

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[88] At WIPO, the implementation of all oversight recommendations is reported on by the organization's head of internal audit oversight and Audit Committee to its General Assembly and Director General.

[89] The single audit principle was originally adopted in the United States of America. However, in the United Nations system there is still confusion regarding its definition. Furthermore, it is legitimate in some cases to ask for separate assessments of risky, complex and/or expensive projects or programmes.

[90] See Financial and Administrative Framework Agreement between the European Community, represented by the Commission of the European Communities and the United Nations (FAFA) (2003), annex, p. 14.

[91] Ibid., p. 15.

[92] Ibid.

168. In 2001, the Chairman of the Panel wrote again to the Secretary-General indicating that the single audit principle was a matter to be decided by the governing bodies in consultation with their external auditors and suggesting that a mechanism for independent advice on any third-party audit request be set up. Next, in a letter to the United Nations Controller in 2002, the Chairman of the Panel expressed that the Panel did not favour the introduction of clauses in audit agreements to which the external auditors were not signatories and noted the intention of the Secretary-General to consider the proposed mechanism for independent advice.

169. In 2003, the United Nations Secretariat and the European Commission signed the Financial and Administrative Framework Agreement (FAFA) for the purpose of establishing "a partnership in order to help achieve the Millennium Development Goals",[93] which includes as an annex the financial clauses referred to above and provides further guidance on the conduct of "checks". Accordingly, the Commission may perform an "on-site walk through, with appropriate concrete examples" of the system and request information and clarifications, "including verification of underlying documents". Request for copies of documents should be considered by the United Nations management on a case-by-case basis, in consultation with External Auditors "as necessary".[94]

170. In 2005, the United Nations Finance and Budget Network agreed to request the CEB/High-level Committee on Management to endorse the single audit principle and require that the governing bodies request the appointed external auditor to carry out specific examinations and to issue separate reports to them on the results.[95]

171. Internal and external auditors interviewed/surveyed indicated that during the last five years, organizations such as FAO, IAEA, ICAO, ILO, United Nations, UNDP, UNRWA, UNOPS, UNFPA, UNESCO, UNIDO, UNICEF and UPU have received requests from donors to conduct special audits (55 per cent), to access/verify accounting records (40 per cent) and perform unilateral audit missions (5 per cent). When these requests are accepted, they are accommodated within existing resources, budgeted within specific projects or subject to extra payment. FAO and the ILO have dealt with the highest number of requests to access/verify accounting records and special audits, respectively. However, the head of the Office of Internal Audit, Inspection and Management Control at FAO stated that FAO, other than in the case of FAFA agreement, is strict in its application of the single audit principle.

172. At UNFPA, the European Commission conducted verifications in eight country offices during 2008-2009. The Director of the Division of Oversight Services in his annual report has stated that these European Commission verification missions could conflict with the "single audit principle" and has recommended that the United Nations Controller facilitate a meeting among all interested parties, in particular the European Court of Auditors and the PEA, to reach a definitive agreement on the way forward.[96] The Inspectors were informed that the PEA is on record in its objections to third party audits concerning the United Nations requested by donor agencies. The Panel is of the view that the FAFA verification missions are in effect audits, and that there would be a breach of the single audit principle if these verifications are undertaken. The PEA has consistently offered to provide any additional assurance that donor agencies may require. Because of this continuing dispute over the years, the PEA had cause to seek the intervention of INTOSAI. The Inspectors were also informed that this matter was discussed at the INTOSAI meeting in South Africa in November 2010.

173. As pointed out by the Panel, the respect of the single audit principle is fundamental to avoid duplication of efforts, minimize disruption and costs to all parties and conflicting recommendations that could result in

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[93] Ibid, preamble, p. 1.
[94] Ibid., annex, pp. 15 and 16.
[95] CEB/2005/HLCM/R.20.
[96] DP/FPA/2010/20, paras. 46-47; DP/FPA/2009/5, para. 52.

widespread confusion and misunderstanding of the nature of the United Nations operations. Failure to respect the single audit principle could lead to a number of undesirable effects: the difficulty of separating examinations of individual funds from the audit of accounts and control systems in general; the difficulty of segregating information on individual activities from confidential information on other activities; the misleading perception of the accounting system as a whole which may result from the examination of a single area; and the inefficiency of special audits in relation to the use of resources, especially where activities of a largely similar nature are concerned (A/48/587, para. 3).

174. **It is the opinion of the Inspectors that the legislative/governing bodies in the United Nations system organizations should reiterate in this context the reliance on the work of internal and external auditors.**

175. The Inspectors found that in most instances, it was not the external auditors as proposed, but the Controller or the internal audit/oversight head, or even the executive heads, who dealt with such requests. **It is the opinion of the Inspectors that verification is tantamount to an audit. Thus any recommendation emanating from it should not be considered by the audited organization, otherwise it would be a violation of the single audit principle.**

176. Against this background, the Inspectors consider that in order to observe the application of the single audit principle and ensure its coherent application throughout the system, Member States should be informed of all verifications/audit requests made by any donor and/or Member State and suggest a general course of action in dealing with them. Furthermore, audit/oversight committees, where appropriate, should monitor the implementation of the single audit principle at each organization and report thereon to the legislative/ governing bodies, to ensure enhanced controls and compliance.

Recommendation 14

The legislative/governing bodies in the United Nations system organizations direct the executive heads at each organization to inform them of all third-party audit/verification requests, after consulting the audit/oversight committees and the external auditors.

IV. AUDIT/OVERSIGHT COMMITTEES

A. Definition

An audit committee is an independent advisory expert body set up with the purpose of, inter alia, reviewing the accounting and financial reporting process, the system of internal control, the risk and audit process, and the process for monitoring compliance with financial rules and regulations and the code of conduct. As such, audit committees are part of the governance structure of the organization and a prerequisite for good governance.[97]

177. In the United Nations system, the role of audit oversight committees is to assist the legislative/governing bodies and executive heads in discharging their oversight and governance responsibilities. They have an advisory role. The JIU, in its oversight lacunae report, has proposed a model of external oversight committees for United Nations organizations that oversee the performance of the external auditor and all internal oversight functions, not only internal audit.[98]

B. Mapping

178. Audit/oversight committees are a quite new feature at United Nations organizations; the first were established in 1984 at WFP, then in 2002 at UNESCO and UNFPA. At the time of the JIU report on oversight lacunae, they existed at the United Nations Secretariat, funds and programmes and half of the specialized agencies. Four years later, despite the effective progress achieved with their creation at ICAO, ILO, UNRWA and WHO, there is today no independent audit/oversight committee at IAEA, IMO, ITU, UNHCR, UNIDO, UNRWA UNWTO or UPU.[99] During the interviews, the Inspectors were informed that at IAEA, IMO and UNIDO the issue had been brought up for the consideration of the legislative/governing bodies, which have resolved that there was no need to set up such a committee. **The Inspectors reiterate the need for the establishment of an independent audit/oversight committee where it does not yet in exist, to ensure coherence and harmonization in the audit/oversight practices, in accordance with the JIU report on oversight lacunae**.

179. In terms of coverage, there have been more significant changes. In addition to the already existing oversight committees at UNESCO and UNHCR, the newly created ones at ILO and WHO are oversight committees; at WIPO the audit committee name was changed to oversight committee. All others are independent audit committees: at United Nations, UNDP, UNFPA, UNICEF, UNOPS, WFP, FAO and WMO, mostly with purview over internal audit, with some exceptions. At FAO, oversight responsibilities are shared between the Finance Committee and the Audit Committee.

180. Finally, much has changed in terms of the composition of audit/oversight committees. Previously, most of these committees were comprised predominantly of internal members or a mix of internal/external members; few (such as UNESCO, WMO and WIPO) had full external and independent membership. Today, almost all such committees are comprised of external members.

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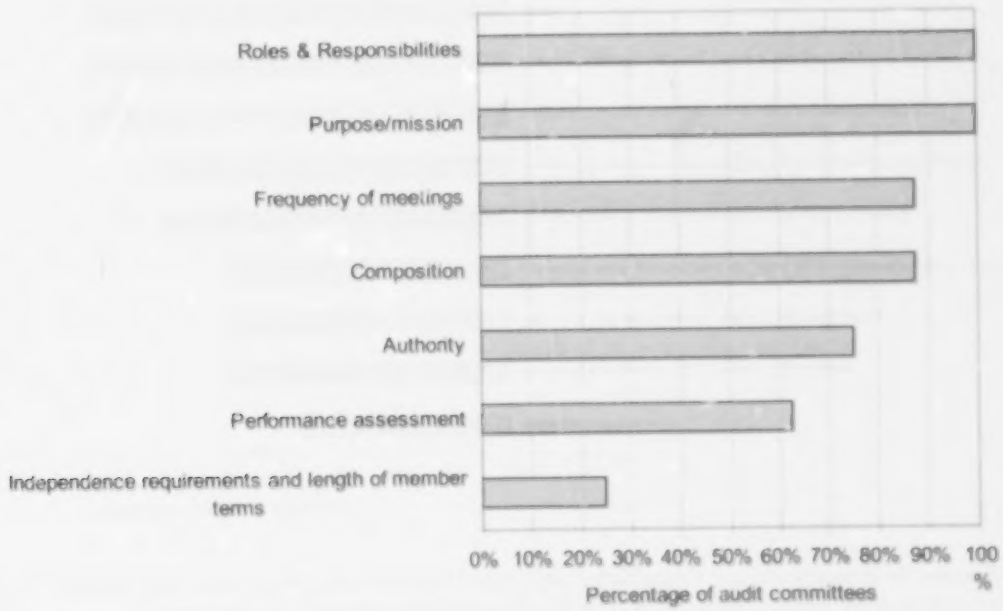
[97] Definition presented by the JIU.
[98] JIU/REP/2006/2, paras. 20-24, recommendation 1.
[99] Audit/oversight committees of UNHCR, UNRWA and UPU include internal members.

C. Purpose, authority and responsibility

181. IIA has developed the Model audit Committee Charter[100] including purpose, authority, composition, meetings and responsibilities by area (financial statements, internal control, internal audit, external audit, compliance, reporting and other). RIAS has prepared a position statement[101] on audit committee principles and good practices that is in line with IIA model and fit for purpose to the specific conditions of the United Nations system organizations. **The Inspectors trust that RIAS will continue to update the said statement regularly in consultation with the United Nations audit/oversight committees.**

182. The Inspectors however noted that not all organizations are guided by the IIA model or the RIAS position statement. First, although all audit/oversight committees interviewed/surveyed have an audit/oversight committee charter or terms of reference and they do always include roles and responsibilities, the charter does not always provide for the frequency of meetings and membership composition or required competencies and even less for the independence, length of terms and performance assessment, conflicts of interest of their members, as disclosed below.

Figure 11. Content of charters/terms of reference articulating the audit/oversight committees[102]



183. Second, a review of a sample of audit/oversight committee charters revealed that, in addition to differing in content with the model proposed, they differ notably in responsibilities, scope and authority.

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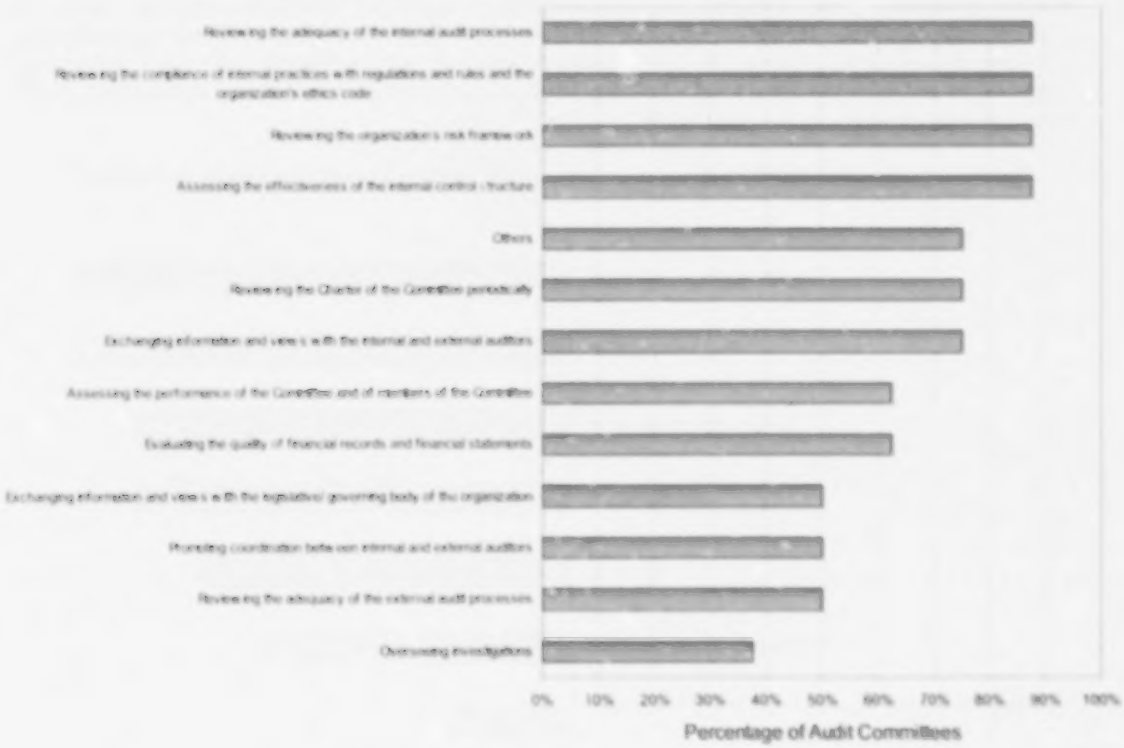
[100] Revised 6 May 2009.
[101] The Audit Committee in United Nations Entities and Multilateral Institutions, position statement from RIAS, September 2008.
[102] All figures in the present chapter are based on audit/oversight committees' responses to the survey; these account for 53 per cent of JIU-participating organizations.

184. The responsibilities of audit/oversight committees at the United Nations organizations responding to the survey are shown in figure 12. The tasks reported as most frequently performed were: the review of the adequacy of the internal audit and of the organization's risk framework, the assessment of the internal control structure, the compliance with rules and the ethics code, exchanging information and views with internal and external auditors. Surprisingly, evaluating the quality of financial records, accounting policies and financial statements did not appear as a major concern; even less of a concern was reviewing the adequacy of the external audit or promoting coordination among internal and external auditors. **In the opinion of the Inspectors, these tasks should be integrated in the FRRs as appropriate.**

Figure 12. Primary responsibilities of the Committees


Reviewing the adequacy of the internal audit processes
Reviewing the compliance of internal practices with regulations and rules and the organization's ethics code
Reviewing the organization's risk framework
Assessing the effectiveness of the internal control structure
Others
Reviewing the Charter of the Committee periodically
Exchanging information and views with the internal and external auditors
Assessing the performance of the Committee and of members of the Committee
Evaluating the quality of financial records and financial statements
Exchanging information and views with the legislative/ governing body of the organization
Promoting coordination between internal and external auditors
Reviewing the adequacy of the external audit processes
Overseeing investigations
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Percentage of Audit Committees

185. Notably, most audit/oversight committees at the United Nations organizations have little purview if any over external auditors. Among the terms of reference of committees reviewed, the best practice was at ICAO and UNFPA, which includes the evaluation of the efficiency and effectiveness of both internal and external auditors and the review of their fees/budget. Conversely, the terms of reference of the audit/oversight committees of the ILO, UNESCO and WIPO did not undertake any formal review of the performance of the external auditors.[103] Neither does the IAAC at the United Nations. In this connection, the Inspectors were informed that the first draft of the IAAC terms of reference did contain provisions to oversee the work of external auditors, but this was objected to by the PEA, which perceived it as a threat to its independence. As a result, the final terms of reference focused explicitly on the work of OIOS, although a general provision in

[103] WMO informed JIU that it would review the performance of the external auditor, as requested, at its Audit Committee meeting (October 2010).

the said terms of reference stipulates that the Committee advises the General Assembly on the scope, results and effectiveness of audit and other oversight functions,[104] which covers implicitly the work of BoA.

186. The Inspectors note that the committee is composed of independent external experts appointed by the legislative/governing body and directly reporting to Member States. The question is, who will audit the auditors? **The Inspectors therefore are of the opinion that the IAAC terms of reference should be reviewed to expand its advisory role explicitly over the work of the BoA and the other normal and very important functions of an audit/oversight committee.** In this regard, the Inspectors note that General Assembly resolution 61/275 provides for a revision of the IAAC terms of reference at its sixty-fifth session and call upon Member States to seize this opportunity to expand the Committee's mandate accordingly. In its 2009/2010 report, IAAC has, inter alia, proposed some amendments to its terms of reference (A/65/329, annex II). The proposal however does not call for the expansion of the role of IAAC to include monitoring the performance of the external auditors. The Inspectors have been informed that IAAC has the expertise and ability to perform certain functions relating to external auditors that are typically accorded to audit committees if the General Assembly would desire the IAAC to perform such functions.

187. The main responsibilities of audit/oversight committees were also highlighted in the results of a benchmarking survey[105] of Audit Committee practices presented at the 40th RIAS meeting; the areas to be strengthened include, inter alia, external auditor performance.

Recommendation 15

To enhance accountability, controls and compliance, the legislative bodies should revise the mandates of audit/oversight committees to include the review of both internal and external auditors' performance as well as other responsibilities, including governance and risk management.

188. In line with best practices which call for clearly defining in the terms of reference or charter the scope of the audit committee's relationship with internal and external audit, the Inspectors propose that the audit/oversight committee mandate should cover the responsibilities outlined in table 3.[106]

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[104] General Assembly resolution 61/275, annex, p. 4.

[105] Survey results of the Conformity with Generally Accepted Audit Committee Principles and some Identified Good Practices for United Nations entities and other similar multilateral institutions, fortieth RIAS meeting, October 2009.

[106] IIA Model Committee Charter, revised 6 May 2009; PricewaterhouseCoopers, *Audit Committees Effectiveness - What Works Best* (IIA Research Foundation, 2005).

Table 3. Proposed audit/oversight committee responsibilities

Audit/oversight committee responsibilities	Internal audit	External audit
Review the internal audit charter, activities, staffing, other resources required and organizational structure	X	N/A
Review the audit plans and suggest changes to it	X	Only review scope and approach
Review and concur with the status appointment, replacement, dismissal and fees, as applicable	X	X
Review the performance of the audit services provided	X	X
Review the effectiveness of the audit function	X	X
Meets on regular basis to discuss issues in camera	X	X
Review coordination among internal and external audit	X	X
Review and advise on impediments to either operational or functional independence of auditors	X	X

189. In this connection, a difference was noted between the authority of IAAC (over OIOS and the funds and programmes covered by OIOS such as the United Nations Conference on Trade and Development (UNCTAD), UNEP, the United Nations Office on Drugs and Crime (UNODC), UNHCR and the Office of the United Nations High Commissioner for Human Rights) and the BoA authority (over the United Nations and other funds and programmes such as UNDP, UNFPA, UNICEF and UNOPS). Similarly, in line with best practices, the terms of reference of all audit committees should be reviewed regularly to ensure that they contain all the required elements, and updated as necessary with the approval of the legislative/governing bodies. Currently, the charters/terms of reference of audit/oversight committees are solely approved by the executive head at UPU, UNHCR, UNICEF, UNFPA and UNDP. The implementation of the following recommendation will strengthen effectiveness and efficiency.

Recommendation 16

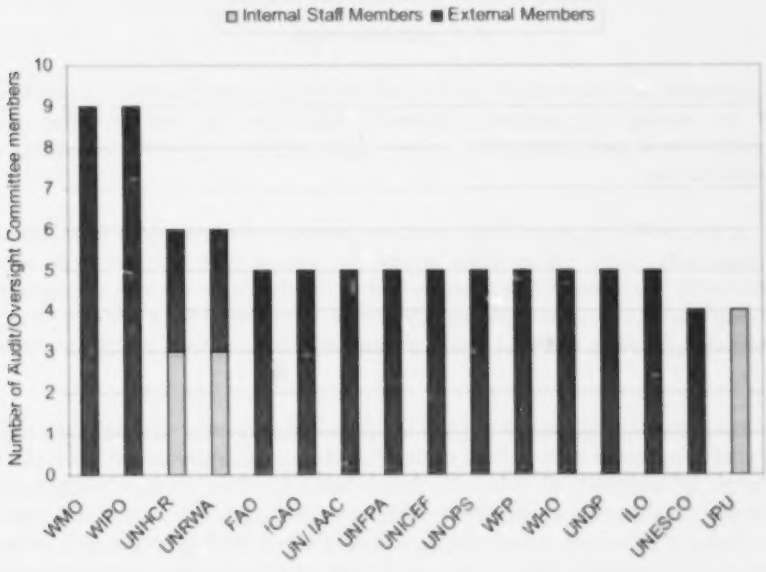
The legislative bodies should require that the charter of the audit/oversight committees be reviewed regularly, at least every three years, and any change be submitted for the approval of the legislative bodies.

D. Composition

190. In terms of audit/oversight committee composition, experience shows that a limited number of members is highly advisable, and that the group should reflect a mix of skills and competences including good management experience, knowledge of accounting and financial reporting, internal controls, risk management, audit, governance issues and some knowledge of the organization and of United Nations administration systems. At least one committee member should be a financial expert. All expert members should be outsiders and external to the organization staff to ensure independence, competence and objectivity and should be inducted and trained on the organizations' operations in order to be able to add value quickly.

191. The actual composition of the audit/oversight committees at the United Nations system organizations is indeed not fully in line with the above best practice, as shown in figure 13. In number, membership may range from three to as many as nine at WIPO[107] and WMO. At UNHCR and UNRWA, there is a mix of half internal and half external members, at WMO there is a combination of Member States representatives and outside experts and at UPU, the Committee is composed of managers of the organization. The Controller and Inspector General are part of the UNHCR audit committee.

Figure 13. Audit /oversight committee members in the United Nations system organizations



192. Adequate geographical and gender representation, together with appropriate skills and experience, should be added to the requirements for the members of the audit committees. Some of them however fall short of compliance with such requirement, as for example at WIPO (no gender balance – only male members).

193. Candidates for membership are either proposed by the legislative/governing bodies, the internal audit/oversight head, chairs of the committees and/or by management. At UNESCO and WFP, the proposals are made through public advertisement. Appointments are mostly approved by the executive heads or legislative/governing body. The implementation of the following recommendation will enhance transparency and accountability.

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[107] The number at WIPO has been reduced to seven in the new composition of the audit committee starting in 2011.

Recommendation 17

The legislative/governing bodies should elect/appoint the audit/oversight committee members, the number of whom should vary between five and seven members with due regard to professional competency, geographical distribution and gender balance so as to represent the governing bodies' collective interests. The candidates should be screened by a committee, unless the audit/oversight committee is a subcommittee of the legislative/governing bodies, to ensure compliance with the said requirements, including independence before their appointment.

E. Independence

194. As already discussed, the independence of the audit/oversight committee and its members is ensured by its charter and by having all members externally appointed by and reporting directly to the legislative/governing body at each organization. These requirements are however not always complied with at a number of organizations.

195. In addition, in line with a proposed RIAS position statement, for committee members to be perceived as acting with objectivity, their office terms should be limited to a maximum of six years in one non-renewable term or in two terms of four years each, they should not have a previous appointment with the organization and they should be barred from any subsequent appointment for a period of five years. Finally, they should be subject to the same financial disclosure and conflict of interest policy as internal and external auditors.

196. The review found that few organizations meet the proposed standards. Currently, the office term varies from one to four years, renewable once at most of the United Nations organizations. At FAO, UNOPS, UPU and WMO the tenure is unlimited. At WHO the term of office is four years, non-renewable. UNDP and UNESCO have excluded subsequent appointments with the organization for two and five years, respectively. UNICEF has set a term of two years, renewable once. UNFPA and WFP have initiated an ongoing rotation with a term of three years, renewable once, and a recruitment process to ensure that membership is staggered to provide continuity. At other organizations it has not been legislated. Audit/oversight committee reports are directly submitted to the legislative/governing bodies only at the ICAO, United Nations, UNDP and WIPO, and in most instances through the executive head.

197. Although all chairs of audit/committees surveyed rated their independence as satisfactory, in the view of Inspectors there is room for improvement in almost all organizations.

F. Resources

198. In most cases, audit/oversight committee members provide services on a pro bono basis, except at UNFPA, which pays a fee to the committee members. Typically, travel costs and per diem to attend the committee meetings and other relevant meetings are covered by the organizations, except at ICAO, where such expenses are paid for by the respective member's Government. The audit/oversight committee budgets in 2009 ranged from US$ 20,000 (UNESCO) to about US$ 600,000 (United Nations) (A/64/6 (Sect. 1), p. 15).

199. Audit/oversight committees are provided with secretariat support mainly by the internal audit office, by the executive office or the administration of the organization. **In this regard, the Inspectors consider that the independence of the audit/oversight committee is better ensured with the support of staff reporting directly to the chair of the audit/oversight committee in the intersessional period.**

G. Meetings

200. In order to fulfil its mandate, the audit/oversight committee should meet at regular intervals throughout the year, to be decided taking into account best practices and the cost/benefit of such meetings. Each meeting should last at least two days to make better use of time and resources and to thoroughly discuss the issues under the audit committee's agenda. The participation of all members should be required, preferably in person or via tele/video conference. At the United Nations system organizations, audit committees meet two to four times per year, for 1-5 days each time for a total of 2 to 20 days per year, depending on the organization. Decisions are normally taken by consensus. Simple majority is used at UNICEF in the absence of consensus and it is required at WFP.

201. All audit/oversight committees surveyed usually invite management representatives, the head of internal/oversight and to a lesser extent the external auditor to attend in camera meetings separately and provide required information.

H. Reporting

202. In line with best practices, the audit/oversight committee should prepare a report after every meeting and an annual report on its activities, conclusions, recommendations and, as necessary, interim reports, which should all be submitted by the chair of the committee directly to the legislative/ governing body. However, most audit committees at the United Nations organizations report to the legislative/governing bodies through the executive heads; such is the case at FAO, ILO, UNESCO, UNFPA, UNICEF, UNOPS and UNHCR. **The Inspectors are of the view that such reporting should be made directly to the legislative bodies with a copy to the respective executive head in order to enable him/her to formulate any comment thereon.**

203. In addition, for the sake of transparency and accountability these reports should be published on the website of the organization. The ILO, the United Nations, UNDP, UNFPA, UNICEF, WMO and WIPO do so, while at ICAO and UNESCO the reports are accessible on the intranet.

Recommendation 18

To ensure transparency and disseminate best practices, the chair of the audit/oversight committee should submit at least one annual report directly to legislative/governing bodies with separate comments by executive heads, if any, which should be published on the website of the organization, in line with best practices.

I. Follow-up to recommendations

204. All accepted audit/oversight committee recommendations should be monitored until implemented since, despite their advisory nature, they stem from best practices and experience and aim at enhancing the governance processes and the position of the audit function at the organization.

205. At most organizations, either the internal audit or the audit/oversight committees have systems in place to track and follow up the implementation of the audit committee recommendations. The frequency of monitoring varies by organization from one to three times a year. At UNDP and UPU, apparently, there is no system in place.

206. Based on the figures provided, the Inspectors could not assess the degree of implementation of recommendations. A desk review of a sample audit/oversight committee's annual reports at nine United Nations organizations disclosed that only the United Nations/IAAC includes a chapter on implementation of

the committee's recommendations (A/64/288, paras. 8-10). **In the view of the Inspectors, the implementation of recommendations should be reviewed at each committee meeting and included in the annual report. The WIPO Audit Committee decided that such a review should take place twice a year in order to give time to managers to take appropriate actions.**

J. Performance assessment

207. Audit/oversight committees should assess their performance at least annually, taking corrective action/measures and considering improvements. Very few reported that they actually do this, and only at UNFPA and WFP was the individual performance of committee members regularly assessed.

208. Peer reviews among audit committees of organizations with similar mandates, such as UNDP, UNOPS, UNFPA, UNICEF, FAO, WFP and IFAD, among others, could help to assess their performance.

209. In preparing its proposal to the General Assembly on the amendments to its mandate, IAAC undertook a survey seeking feedback on its performance. **The Inspectors are of the opinion that the audit/oversight committees should be subject to a periodic self performance assessment, including peer reviews in organizations with similar mandates at least every four years.** Reference is made as a good practice to the WIPO Audit Committee, which produced in 2009 a four-year assessment report of its activities and performance.[108]

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[108] Report of the WIPO Audit Committee since 2008, document Nos. WO/GA/38/2 and Corr.

V. COORDINATION

210. Internal and external auditors should share information and coordinate their efforts, among themselves and with other internal and external oversight service providers, to ensure proper coverage, to minimize duplication and to create added value through more efficient and effective audits, monitoring of audit recommendations and less disruption to the operation audited. In this regard, executive heads interviewed/surveyed expressed concern, which is shared by the Inspectors, about the effectiveness of such coordination.

211. Communication/coordination is a two-way process that includes not only exchanging audit plans, reports and management letters but also working together in developing plans, granting access to each others' audit programmes and documentation, meeting regularly, developing methodologies, and sharing training, as appropriate, without compromising their independence. Regrettably, coordination does not always occur or it occurs with different degrees of effectiveness, as discussed in more detail below.

212. A prerequisite for effective information sharing and coordination is the existence of a common assurance map which delineates the responsibilities and boundaries of each internal and external oversight function in terms of "who is doing what and for whom" to ensure that critical business/organizational risks are being assured and adequately managed. An assurance map is an organizational tool that prevents redundancy and keeps some areas from falling through the cracks, and serves as an instrument for transparently and comprehensively documenting and reporting on the coordination and effectiveness of assurance activities. According to IIA Standard No. 2050, the assurance map should include, inter alia, the internal and external audit coverage and other assurance providers' coverage.

213. Only UNOPS reported having such an assurance map; 45 per cent of the organizations indicated having an accountability framework, which could be equated to an assurance map. However, half of the frameworks do not refer to the division of responsibilities between internal and external audit and the distinctiveness of audit from other oversight functions at the organization. A desk review of a sample of 10 organizations confirmed that WMO and WIPO, for instance, do not have such an assurance map, while assurance maps/frameworks at three other organizations were not published. The ILO has such a framework but does not provide a clear definition of the division of responsibilities between external and internal auditors, while the UNDP, UNICEF and UNOPS frameworks provide it.

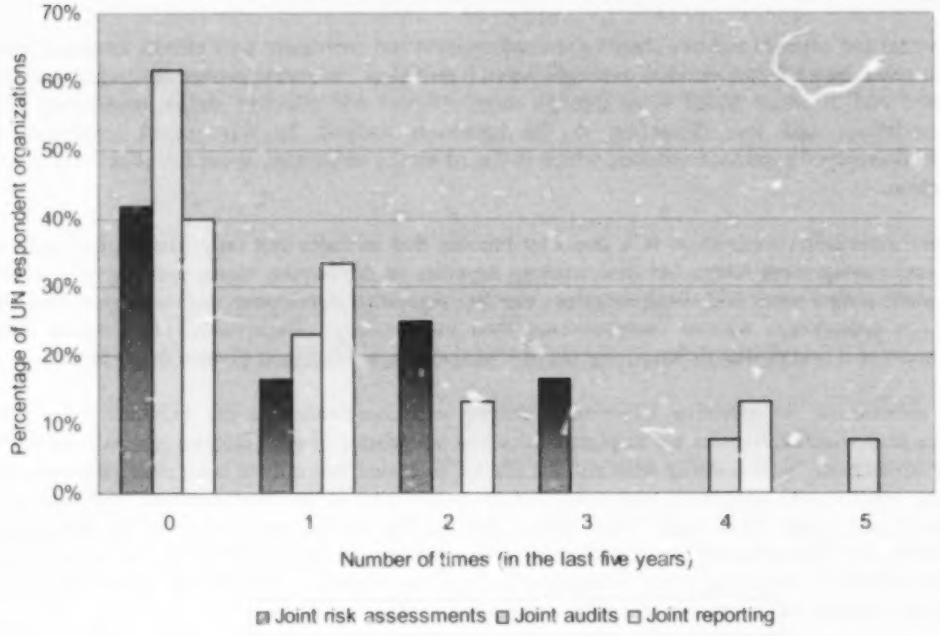
214. **The Inspectors are of the view that both the audit/oversight committees and alternatively the legislative/governing bodies, if the audit/oversight committee has not yet been established, should clarify the role and boundaries of each oversight body and the interaction expected among them in an assurance map or accountability framework, as appropriate, with the approval of legislative/governing bodies.**

A. Coordination among internal auditors

215. Coordination among internal auditors occurs punctually and progressively at the bilateral and system-wide levels and at different phases of the audit process: at the preliminary planning stage, during the performance of the audit and at the time of reporting.

216. In recent years, internal auditors of the United Nations, several funds and programmes (UNDP, UNFPA, UNICEF, UNOPS and WFP) and few specialized agencies (FAO, UNESCO, UNIDO, WHO) have gotten together to conduct joint risk assessments, joint reporting and to a lesser extent joint audits, mainly of multi-donor trust funds (MDTF), of the harmonized approach for cash transfer, humanitarian emergency operations, joint programmes and pilot projects. OIOS, UNDP and UNFPA are leading these efforts.

Figure 14. Joint internal audit engagements



217. For instance, the Common Humanitarian Fund for Sudan, one of several MDTFs in Sudan, was audited separately by the internal audit services of six agencies and UNDP prepared a consolidated report thereon. A risk assessment of the emergency operation in Myanmar was jointly conducted by FAO, UNDP, UNESCO, UNICEF and WFP. A first inter-agency audit of the implementation of the harmonized approach for cash transfer, led by UNFPA, was carried out in Viet Nam with the participation of UNDP and UNICEF and a framework for future audits was developed and tested again in Malawi. The Inspectors have been informed by the FAO internal audit/oversight head that FAO, IFAD, and WFP have agreed to share the results of their individual operational risk assessments with each other. A joint or coordinated audit led by UNDP is in the pipeline for the MDTF for Haiti. The UN-RIAS Operational Sub-Group favoured two frameworks auditing MDTFs and United Nations joint programming. It also agreed on the standard audit and investigative clauses included in the standard United Nations Memorandum of Understanding and Standard Administrative Arrangement for One United Nations, MDTF and joint activities (October 2008).

218. These attempts have been challenging in terms of planning, coordinating and communicating results. Aligning work plans and priorities and different risk levels and models by organizations, consolidating and sharing working papers, reporting to dissimilar reporting formats and lines, sharing information and staffing resources were major constraints recorded.

219. Work has however been done in terms of auditing joint programmes and the United Nations pilot projects, aside from the audit of the United Nations Resident Coordinator activities entrusted to UNDP. Although most organizations in theory support the concept of "One United Nations", only one third of respondents to the survey commented on the need and benefits of "One auditing". Auditing the "One United Nations" was considered a major challenge/constraint by one third of the organizations.[109]

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[109] The UN-RIAS Operation Sub-Group decided to put on hold the audit of United Nations pilot projects pending the evaluation of One United Nations, to avoid duplication of efforts and to review first the outcome of the evaluation.

220. The annual plenary Meeting of Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions, and other Associated International Organizations has contributed to increasing coordination among internal audit services, providing a forum dedicated not only to networking but notably to exchanging experiences, best practices and lessons learned and, even more importantly, contributing to benchmarking and standard setting through the development of surveys and position papers on critical issues of common interest.

221. In order to promote the development and exchange of United Nations internal audit and oversight-related practices and experiences, representatives of internal audit services of the United Nations organizations (UN-RIAS) have met annually since 2007 as a separate group. In addition, the UN-RIAS Operational Sub-Group played an important coordination role between annual UN-RIAS meetings for some United Nations bodies, with 12 United Nations organizations teleconferencing every six to eight weeks on an agreed agenda.[110]

222. As one of the three pillars under the CEB, the United Nations Development Group set up in 2008 the Working Group on Joint Funding, Finance and Audit Issues to provide guidance on enhancing coherence, effectiveness and harmonization in this area at the country level. However, in order to avoid duplication, any audit-related issues are referred to the UN-RIAS Operational Sub-group and are reported back to the Working Group within a set timeframe.

B. Coordination among external auditors

223. Coordination among external auditors is ensured through the PEA, in which all SAIs of United Nations system organizations participate. The Panel meets annually at the end of the year and elects a chairperson. It coordinates joint activities and integrates the views of SAIs on financial and performance auditing, also producing some joint papers.

224. There have been very few cases of harmonization and coordination among external auditors at United Nations system organizations. The joint report produced by the Panel on the United Nations assistance in the aftermath of the Indian Ocean tsunami,[111] based on the observations of individual audits conducted, is the first and only major external auditors joint engagement; no joint audits have been carried out during the last five years. The Swiss Federal Audit Office and the Office of the Auditor General of Canada reported a joint-audit engagement at ILO-ITU for the audit of the ILO/ITU Staff Health Insurance Fund.

225. Despite applying common financial and auditing standards, each SAI has roots in a different national Government audit environment. Cross-fertilization is therefore a key to enhancing their effectiveness in the United Nations audit environment.

C. Coordination between internal and external auditors

226. In practice, internal audit working papers are fully available to the external auditors while the latter's papers are not always available to the internal auditors. An improved coordination between internal and external auditors should be beneficial to all audited organizations and stakeholders. Such coordination may include the preparation of audit plans, sharing audit risk assessment, audit methodology, working papers, and reports. It consists of regularly sharing audit plans and reports, except at UNRWA. At the United Nations, IAAC, in a report on its activities, has recommended that such coordination at the planning stage should take

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[110] United Nations Development Group Working Group on Joint Funding, Financial and Audit Issues, terms of reference, 23 June 2008 and UN-RIAS Operational Sub-Group, presentation to meeting of the Working Group on Joint Funding, Financial and Audit Issues, 4 Dec 2009.
[111] P/47/06.

place before approving the audit plans (A/63/328, para. 23). Such coordination should be also entrusted in other United Nations organizations to their audit/oversight committees.

227. **It is the opinion of the Inspectors that external auditors should benefit from the work of internal auditors.** This entails an assessment of the objectivity of the internal audit work, the competency and due professional care exercised by the internal auditor, the audit procedures applied, the documentation and supervision exercised of his/her work.[112]

228. **The Inspectors believe that there is room for improvement in communication and coordination between internal and external auditors.**

D. Coordination with other internal and external assurance providers

229. Coordination with other internal and external providers of assurance takes place, in the case of internal auditors, more regularly through meetings with the executive heads, the controller, the evaluation office, and to a lesser extent with the audit/oversight and management committees, the investigation and ethics office and lastly with external auditors.

230. At FAO and UNICEF the internal audit/oversight head is present in senior management meetings and at FAO he also participates as an observer in certain key operational meetings of the organization. At the World Bank, the vice-president for audit participates in daily executive management meetings. In these ways, they are kept abreast of major developments at their organizations and can better contribute to the governance processes. **The Inspectors consider such an experience as a good practice which should be replicated in other United Nations system organizations.**

231. Coordination with other oversight functions was considered a challenge/constraint by 30 per cent of internal audit services. At WIPO, as from 2009, regular meetings of the audit committee, external auditor, internal audit/oversight and the executive head have been held. It has proved to be very beneficial. A best practice in coordination among oversight services is the formal tripartite meeting that takes place at least annually among OIOS, the BoA and JIU. **The Inspectors suggest that this practice be replicated at other organizations.** The BoA, PEA and JIU also attend the RIAS, as observers.

E. Coordination among audit/oversight committees

232. Coordination among audit/oversight committees has been ad hoc and should be formalized in the views of some chairs interviewed. As with the RIAS and the PEA meetings, the chairs of audit/oversight committees could arrange at least an annual meeting to exchange audit practices and discuss system-wide audit issues, even through tele/video conference. The chairs may decide jointly on the agenda and arrangements of these meetings. **Alternatively it is the opinion of the Inspectors that IAAC could host meetings of the chairs of such committees to perform the said coordination.**

233. **To conclude, internal, external auditors and audit oversight committees work best and can better contribute to the governance processes of the organization when they maintain a fluent and objective relationship with each other, as well as with management. The Inspectors realized however that there is still no effective system-wide coordination and cooperation among these actors. Consequently, the Inspectors are of the opinion that, ideally, coordination and cooperation among the external and internal auditors should be done by the audit/oversight committees based on an assurance map or accountability framework, as appropriate, that should be approved by the respective legislative/governing bodies.**

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[112] International Standard on Auditing 610: Using the work of internal auditors.

Annex I

Summary of audit function in the United Nations system organizations

Org.	Internal/Oversight Audit		External Auditor	Audit/Oversight Committee	
	Title	Oversight functions		Title	Year of establishment
FAO	Office of Inspector General (OIG) - Internal Audit Unit	Audit/ Investigation Inspection	Philippine Commission on Audit (COA)	Audit Committee (AC)	2003
IAEA	Office of Internal Oversight Services	Audit/ Evaluation Investigation	German Supreme Audit Institution	**No Audit Committee**	**N/A**
ICAO	Evaluation and Internal Audit Office (EAO)	Audit/ Evaluation Investigation	Court of Accounts (Cours des comptes) of France	Advisory Group on Evaluation and Audit (AGEA)	2008
ILO	Office of Internal Audit and Oversight	Audit/ Inspection/ Investigation	Auditor General of Canada	Independent Oversight Advisory Committee (IOAC)	2008
IMO	Internal Oversight Services (IOS)	Audit/ Evaluation Investigation	Comptroller and Auditor General of India	**No Audit Committee**	**N/A**
ITU	Internal Audit Unit (IAU)	Audit/ Inspection/ Investigation	Swiss Federal Audit Office	**No Audit Committee**	**N/A**
United Nations	Internal Audit Division (OIOS/IAD)	Audit/ Evaluation/ Inspection/ Investigation	Court of Accounts (Cours des comptes) of France *(replaced by UK from July 2010)*	Independent Audit Advisory Committee (IAAC)	2005
UNDP	Office of Audit and Investigations (OAI)	Audit/ Investigation	Auditor-General of the Republic of South Africa	Audit Advisory Committee (AAC)	2006
UNESCO	Internal Oversight Service (IOS)	Audit/ Evaluation Investigation	Court of Accounts (Cours des comptes) of France	Oversight Advisory Committee (OAC)	2002
UNFPA	Division for Oversight Services (DOS)	Audit/ Evaluation Investigation	Auditor-General of the Republic of South Africa	Audit Advisory Committee (AAC)	2002
UNHCR	Audit Section (OIOS/IAD - Geneva Office)	Audit	Court of Accounts (Cours des comptes) of France *(replaced by UK from July 2010)*	Internal Oversight Committee (IOC)	1997
UNICEF	Office of Internal Audit (OIA)	Audit/ Investigation	Chinese National Audit Office (CNAO)	Audit Advisory Committee (AAC)	2006
UNIDO	Office of Internal Oversight Services	Audit/ Investigation Inspection	Auditor General of Pakistan	**No Audit Committee**	**N/A**
UNOPS	Internal Audit and Investigations Group (IAIG)	Audit/ Investigation	Auditor-General of the Republic of South Africa	Audit Advisory Committee (AAC)	2007
UNRWA	Department of Internal Oversight Services	Audit/ Evaluation Inspection/ Investigation	Auditor-General of the Republic of South Africa	Advisory Committee on Internal Oversight (ACIO)	2007
UNWTO	**No Internal Audit**	**N/A**	Comptroller and Auditor General of India	**No Audit Committee**	**N/A**
UPU	Internal Audit	Audit/ Investigation	Swiss Federal Audit Office	Internal Audit Committee	2005
WFP	Inspector General and Oversight Office	Audit/ Inspection/ Investigation	UK National Audit Office *(replaced by India from July 2010)*	Audit Committee (AC)	1984 *(reconstituted with only external members in 2004)*
WHO	Office of Internal Oversight Services	Audit/ Evaluation Investigation	Comptroller and Auditor General of India	Independent Expert Oversight Advisory Committee	2009
WIPO	Internal Audit and Oversight Division (IAOD)	Audit/ Evaluation Inspection/ Investigation	Swiss Federal Audit Office	Audit Committee *(proposed to be changed to Independent Audit Oversight Committee (IAOC))*	2006
WMO	Internal Oversight Office (IOO)	Audit/ Evaluation/ Inspection/ Investigation	UK National Audit Office	Audit Committee (AC)	2003

Annex II

Overview of action to be taken by participating organizations on JIU recommendations
JIU/REP/2010/5

		Intended impact	United Nations, its funds and programmes												Specialized agencies and IAEA												
			United Nations*	UNCTAD	UNODC	UNEP	UN-HABITAT	UNHCR	UNRWA	UNDP	UNFPA	UNICEF	WFP	UNOPS	ILO	FAO	UNESCO	ICAO	WHO	UPU	ITU	WMO	IMO	WIPO	UNIDO	UNWTO	IAEA
Report	For action		☒	☐	☐	☐	☐	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒
	For information		☐	☒	☒	☒	☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Recommendation 1		e	I					I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I		I
Recommendation 2		e	I					I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I		I
Recommendation 3		e	L					L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L		L
Recommendation 4		e						E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E		E
Recommendation 5		b	I					I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I		I
Recommendation 6		e	A					A	A	A	A	A		A	A	A	A	A	A	A		A		A			
Recommendation 7		e							L						L			L		L		L	L	L	L		
Recommendation 8		a							L																L		L
Recommendation 9		e	I					I	I		I	I	I	I	I	I	I	I	I	I	I	I	I	I	I		I

Legend:
- **L:** Recommendation for decision by legislative organ
- **E:** Recommendation for action by executive head (*in the case of the CEB by the Chair of the CEB)
- **I:** Recommendation for action by internal audit/oversight head
- **A:** Recommendation for action by the audit/oversight committee
- ☐ Recommendation does not require action by this organization

Intended impact: **a:** enhanced accountability **b:** dissemination of best practices **c:** enhanced coordination and cooperation **d:** enhanced controls and compliance **e:** enhanced effectiveness **f:** significant financial savings **g:** enhanced efficiency **o:** other

* Covers all entities listed in ST/SGB/2002/11 other than UNCTAD, UNODC, UNEP, UN-HABITAT, UNHCR and UNRWA.

		Intended impact	United Nations, its funds and programmes												Specialized agencies and IAEA													
			United Nations[a]	UNCTAD	UNODC	UNEP	UN-HABITAT	UNHCR	UNRWA	UNDP	UNFPA	UNICEF	WFP	UNOPS	ILO	FAO	UNESCO	ICAO	WHO	UPU	ITU	WMO	IMO	WIPO	UNIDO	UNWTO	IAEA
Report	For action		☒	☐	☐	☐	☐	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒
	For information		☐	☒	☒	☒	☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Recommendation 10		a	L						L		L														L		L
Recommendation 11		b	L												L	L	L	L	L			L		L			
Recommendation 12		e	L												L	L	L	L	L	L	L	L	L	L	L	L	L
Recommendation 13		a	L					L	L	L	L	L		L	L	L	L	L	L		L	L	L	L	L	L	L
Recommendation 14		d	L					L	L	L	L	L	L	L	L	L	L	L	L		L	L	L	L	L	L	L
Recommendation 15		e	L					L	L		L	L		L	L	L	L	L	L	L		L		L			
Recommendation 16		e	L					L	L		L	L	L	L	L	L	L	L	L	L		L		L			
Recommendation 17		b	L					L	L		L	L	L	L	L	L	L	L	L	L		L		L			
Recommendation 18		b	A					A	A		A	A	A	A	A	A	A	A	A	A				A			

United Nations A/66/74

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Item 134 of the preliminary list*
Programme budget for the biennium 2010-2011

Progress report on the implementation of the recommendations of the report of the Office of Internal Oversight Services on the efficiency of the implementation of the mandate of the Office of the United Nations High Commissioner for Human Rights

Report of the Secretary-General

Summary

The present report is submitted pursuant to paragraph 94 of General Assembly resolution 64/243. It examines the current status of implementation of the recommendations contained in the report of the Office of Internal Oversight Services (OIOS) on the efficiency of the implementation of the mandate of the Office of the United Nations High Commissioner for Human Rights (OHCHR).

Substantial progress has been achieved by OHCHR in response to those recommendations. The Office of Internal Oversight Services already considers that nearly half of the recommendations have been implemented, particularly those relating to the strategic focus of OHCHR and the strengthening of partnerships. Substantial progress has also been noted with regard to the overarching field strategy, work with human rights bodies, internal coordination and communication, and critical work processes.

The target date for full implementation of the OIOS recommendations is the end of 2011. OHCHR has indicated that all recommendations will be fully implemented by then.

* A/66/50.

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I. Introduction

1. In February 2010, on the report of the Fifth Committee, the General Assembly adopted resolution 64/243, in which it requested the Secretary-General to report to it at its sixty-fifth session on the implementation of the recommendations contained in the report of the Office of Internal Oversight Services on the efficiency of the implementation of the mandate of the Office of the United Nations High Commissioner for Human Rights.[1] In 2010 the Bureau of the Fifth Committee approved the presentation of the progress report at the sixty-sixth session of the General Assembly, ensuring time for substantial progress. The present report presents the current status of implementation of those recommendations.

2. The OIOS report recognized that OHCHR had an important role in the promotion and protection of human rights. The recommendations of the report were regrouped according to the following themes: further sharpen the strategic focus to concentrate on activities in which OHCHR has a comparative advantage; develop an overarching field strategy; improve follow-up to findings and recommendations made by the human rights mechanisms, and enhance cross-divisional linkages; strengthen partnerships; and address management challenges, including the improvement of internal coordination and communication and the streamlining of critical work processes.

3. Following the evaluation by OIOS, the Secretary-General, in a note dated 14 September 2009,[2] provided greater context and clarity to the findings. He expressed his appreciation for the evaluation and welcomed the overall conclusion and recommendations of the report. The main comments included the need (a) to remain flexible with respect to strategic planning, as it might be influenced at times by intergovernmental decisions; (b) to acknowledge that the rapid expansion of OHCHR and its field presences, staff deployment, the increased number of peace missions mandated by the Security Council and the requirements of the United Nations country teams had had a bearing on OHCHR decisions on field strategy; (c) to consider that States are primarily responsible for follow-up to the recommendations of human rights mechanisms, while the role of OHCHR lies in the provision of assistance to States, taking also into account the increase in the number of treaties and recommendations; (d) to acknowledge existing partnerships, although OHCHR recognizes that improvements are required in humanitarian contexts, and to improve internal coordination, communication and work processes, through an organizational effectiveness programme.

4. The target date for full implementation of the recommendations in the OIOS report is the end of 2011. OIOS acknowledged, in its semi-annual report of March 2011, that 8 of 19 recommendations had already been implemented by OHCHR (see annex for a summary of recommendations and their implementation status).

[1] A/64/203 and Corr.1.

[2] A/64/203/Add.1.

II. Status of implementation

A. Comparative advantage and strategic focus

5. In the report, OIOS made four recommendations to OHCHR with regard to further sharpening its strategic focus. They included limiting expected accomplishments; establishing linkages among planning documents; balancing resource allocation across divisions and between headquarters and field activities; and improving monitoring and assessment of the human rights situation. OIOS recognized that two of the recommendations had already been implemented, namely, aiming for fewer and more specific planned accomplishments, and identifying ways of improving monitoring and assessment of the human rights situation to better inform strategic decisions. Substantial progress has been made on the other two.

6. OHCHR has recognized the need for further sharpening its strategic focus, identifying organizational priorities and critical activities. The Office has already taken various steps towards implementation. Given the breadth of the OHCHR mandate, its limited resources and the divergent expectations of partners, the strategy inevitably has to remain flexible.

7. Compared to the previous biennium, the strategic management plan for the present biennium (2010-2011) includes fewer strategic priorities, as well as fewer expected accomplishments, which have been standardized between the global and national levels. Addressing the need to improve linkages in the planning process, the strategic management plan has also built on the section of the strategic framework devoted to human rights (programme 19), ensuring a common vision, consistency, coordination and the best possible use of resources in the light of the OHCHR comparative advantage. The formulation of annual workplans by subprogrammes and field presences is based on the strategic management plan and improves linkages throughout. Planning and programming guidelines have been formulated and linkages established across all planning documents, including the strategic framework.

8. The Programme and Budget Review Board of the Office of the United Nations High Commissioner for Human Rights is in the process of examining the allocation of resources to ensure a better balance in relation to strategic priorities and expected accomplishments of field presences and headquarters' divisions. OHCHR has conducted a review of the allocation of extrabudgetary resources, and OHCHR divisions and field presences have already carried out studies to streamline the workload, workflows and budgetary requirements. Those steps have contributed to more clarity on requirements for the allocation of resources for the next biennium.

9. Lastly, the human rights cases database already contributes significantly to standardizing and systematizing reporting related to the human rights situation, while streamlining data collection and training. In addition, a comprehensive methodology for human rights indicators, including an operational guide and indicators on selected human rights, has been developed and validated.

B. Overarching field strategy

10. Four recommendations in the report of the Office of Internal Oversight Services highlighted the need to develop an overarching field strategy which should take into account the various types of field presence; establish entry and exit

criteria; ensure consistency in resources, tools and advice provided to and by field staff; and ensure the effective communication of the strategy to partners. OIOS recognized the substantial progress made thus far on all four recommendations.

11. OHCHR has committed to clarifying its field strategy, acknowledging that the rapid expansion of field presences, including decisions on the choice of field locations and staff deployment, are not dependent solely on OHCHR. Decisions on the establishment of peace missions are often related to decisions of the Security Council and the requirements of United Nations country teams, which have a bearing on staff deployment. In addition, the establishment of OHCHR country presences[3] is always decided on the basis of specific criteria, but the agreement of host countries remains a fundamental pre-condition. Explicit entry and exit criteria are being considered within the context of OHCHR deployment strategy.

12. In May 2010, OHCHR adopted a policy on regional offices, setting out specific objectives and prioritizing activities. An assessment of existing protection strategies in the field produced "lessons learned", which provided insights on OHCHR field strategy and required protection capacity. A policy on human rights advisers developed by OHCHR is currently under review by the United Nations Development Group within the framework of the United Nations Development Group human rights mainstreaming mechanism. OHCHR also endorsed, in March 2011, a draft policy on human rights in United Nations peace operations and political missions. The policy is currently under review by the Department of Political Affairs, the Department of Peacekeeping Operations and the Department of Field Support. All field policies are developed in consultation with partners to ensure improved coordination and coherence among existing field strategies, providing more clarity on human rights field operation objectives and methods. Such policies feed into the overarching field strategy.

13. Lastly, an audit of the structure and functions within the Field Operations and Technical Cooperation Division was completed in April 2011, to increase consistency in advice, resources and information provided to and by the field. Implementation of the audit results is ongoing. Regional consultations are conducted to assess the role and capacity of field presences, the results of which will be mainstreamed into the overarching field strategy. The new performance monitoring system is also expected to provide evidence-based information on the contribution of field presences towards OHCHR strategic priorities and expected accomplishments.

C. Human rights bodies

14. The evaluation recommended that OHCHR improve the effectiveness of its work with human rights bodies by supporting systematic reporting of and follow-up to the recommendations of those bodies, and by fostering more effective internal and external linkages. OIOS recognized in its semi-annual report the important progress achieved by OHCHR on the implementation of the two related recommendations.

15. OHCHR has highlighted that States are primarily responsible for and have the obligation to follow up on recommendations. Nonetheless, the Office has an important role to play in supporting the effective implementation of the recommendations

[3] OHCHR field presences include regional offices, country offices, human rights advisers to United Nations country teams and human rights components of United Nations peace missions.

made by human rights mechanisms, in line with its comparative advantage. OHCHR has taken steps to improve the effectiveness of its work with respect to the human rights bodies, including the launching of an internal evaluation to provide additional insights on the support to follow-up to the recommendations of human rights mechanisms.

16. Steps have been taken to improve the effectiveness of the provision of support and linkages among human rights mechanisms, through greater systematization of the monitoring and assessment of the human rights situation and greater availability of related information. The Human Rights Treaties Division is upgrading its reporting database, including a variety of search options and new information from other human rights mechanisms. The Universal Human Rights Index, a public search engine that includes recommendations from treaty bodies and special procedures, now contains more information, including recommendations from the universal periodic review. The special procedures database on communications is also being upgraded to enhance the working methods and follow-up to the work of mandate holders, through improved availability of information. The databases are also accessible to an increased number of users.

17. Another step to improve monitoring and assessment included the development of technical indicators to streamline follow-up to recommendations by treaty bodies and the universal periodic review. Technical support is provided to Member States and partners to assist in developing and using indicators to facilitate such follow-up.

18. A variety of communication tools to disseminate information relating to the work of the Human Rights Council and its mechanisms were also produced. They include annual reports with facts and figures, quarterly bulletins on special procedures, quarterly newsletters on the work of the treaty bodies and an updated training DVD on the treaty bodies entitled "Bringing rights home". The DVD also contains highlights of Human Rights Council sessions. Regular updates are communicated through such social networks as Twitter and through SMS messaging.

19. Participants at the seventeenth annual meeting of special procedures and at the inter-committee meeting of treaty bodies adopted joint recommendations for future action. At the Inter-Committee Meeting Working Group on Follow-up in January 2011 there was also further fruitful exchange of views between representatives of the treaty bodies and the Chair of the Special Procedures Coordination Committee. Furthermore, collaboration among OHCHR divisions on respective activities has been more frequent since early 2010, through joint meetings.

20. The follow-up to recommendations emanating from the universal periodic review process also offers an opportunity for OHCHR to enhance the work of all human rights mechanisms, through cooperation with States and other national actors such as parliaments, non-governmental organizations and national human rights institutions. The Office has developed a holistic approach to supporting follow-up by States to concluding observations and views of treaty bodies, recommendations of the special procedures, views of the United Nations High Commissioner and the outcomes of the universal periodic review. OHCHR encourages States' efforts to follow up on universal periodic review recommendations, in cooperation with the programmes, funds and agencies of the United Nations system and OHCHR field presences.

21. Lastly, OHCHR supports the development of the capacity of States and national stakeholders to report on the human rights situation. Capacity development aims also to assist States in meeting their respective reporting requirements.

D. Partnerships

22. The OIOS report included six recommendations with regard to strengthening partnerships, including: specifying objectives and modalities for interaction; improving coordination; specifying strategies for mutual complementarities; identifying durable support links to support partnership at the organizational level; clarifying roles and responsibilities for partners; and revising the memorandum of understanding with the United Nations Development Programme (UNDP). On the basis of information contained in periodic semi-annual reports, OIOS considers all six recommendations related to partnership implemented.

23. OHCHR agreed that there was a need to strengthen partnerships and noted the importance of further improving them, particularly in humanitarian contexts, while highlighting the high number of existing partnerships. A number of initiatives to strengthen partnerships are summarized in paragraphs 24 to 37.

24. An important step towards improving coordination and the strategy for mutual complementarities and modalities for interaction has been the establishment by the United Nations Development Group in late 2009 of a dedicated mechanism to mainstream human rights. The mechanism aims to further strengthen system-wide coherence and collaboration, while supporting resident coordinators and United Nations country teams. The main objective of the mechanism is to further pursue institutionalization of mainstreaming efforts and partnerships with United Nations entities, including on thematic issues and on follow-up to recommendations of United Nations human rights mechanisms at the request of countries. Priorities and a workplan for the United Nations Development Group mechanism, co-chaired by OHCHR and UNDP, were endorsed in October 2010.

25. OHCHR also co-chairs, with the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), the United Nations Evaluation Group task force on the integration of human rights and gender equality in evaluations. The task force produced a United Nations Evaluation Group handbook, which was endorsed at the Group's annual general meeting in March 2011. In cooperation with the Department of Economic and Social Affairs, OHCHR also co-chairs the Inter-Agency Support Group on the Convention on the Rights of Persons with Disabilities. Agreement was reached in 2010 on a strategy and a plan of action to make operational the commitment of the United Nations system to support the implementation of the Convention.

26. OHCHR has also been collaborating closely with the United Nations Development Group and the United Nations System Staff College, integrating human rights-based approaches into United Nations Development Assistance Framework formulation exercises. OHCHR jointly launched with UNDP a human rights-based approach portal under the United Nations Human Rights Policy Network, to enhance inter-agency sharing of knowledge and practices on human rights-base approaches. In addition, OHCHR participated in the update of the common framework for action for the global food security crisis.

27. On the humanitarian front, OHCHR continued its active engagement at all levels of the Inter-Agency Standing Committee and the global protection cluster. As an illustration of the value of the Office's contribution to Committee processes, OHCHR has actively participated in inter-agency preparedness, response and recovery, representing an opportunity to integrate human rights analysis and concerns as well as response and recovery efforts into the preparedness and contingency planning of the United Nations humanitarian response mechanism.

28. Training opportunities and briefings on human rights issues are conducted for resident representatives, humanitarian coordinators and senior mission leaders of the Department of Peacekeeping Operations. In addition, training is provided to staff of other programmes, funds and specialized agencies of the United Nations system, including UNDP, the United Nations Population Fund (UNFPA), UN-Women and the United Nations Children's Fund (UNICEF). OHCHR participated in a number of workshops, including a workshop on the use of the international legal framework in humanitarian advocacy and, in March 2011, an expert meeting organized by the Department of Peacekeeping Operations at which a training package for peacekeepers on the protection of civilians was finalized.

29. Other initiatives to improve coordination in peacekeeping operations included the following: a joint OHCHR-Department of Political Affairs assessment of the integration of human rights into peace missions led by the Department; joint inter-agency coordination on policy, training and operational issues related to peace missions (Department of Peacekeeping Operations, Department of Political Affairs, Department of Field Support); a draft joint policy on human rights in peace operations (Department of Peacekeeping Operations, Department of Political Affairs); participation in the inter-agency security sector reform task force; and advice on mainstreaming human rights issues into activities of the International Strategy for Disaster Reduction. OHCHR also continues to be engaged at the global and country levels, through the rapid deployment of surge capacity from headquarters to assist OHCHR field-based protection clusters. OHCHR leads the protection cluster in a number of field locations, in coordination with the Office for the Coordination of Humanitarian Affairs, the Office of the United Nations High Commissioner for Refugees (UNHCR) and UNICEF.

30. At the headquarters level, OHCHR participates in many interdepartmental and inter-agency discussions with regard to specific countries to ensure that human rights concerns are properly addressed.

31. Inter-agency coordination also resulted in the establishment of a multi-donor trust fund in early 2011, with mobilization of resources to begin in mid-2011; a framework for enhancing inter-agency work through the United Nations indigenous peoples' partnership, in collaboration with UNDP and the International Labour Organization (ILO); a joint workplan with the Office of the Special Adviser on Gender Issues and Advancement of Women; the development of indicators to measure the implementation of various Security Council resolutions;[4] the development of indicators in relation to the rule of law and indigenous peoples; a prominent role as a member of the Programme Consultative Group of the United Nations Democracy Fund; collaboration on non-communicable diseases and human rights with the

[4] See, in particular, resolutions 1325 (2000), 1820 (2008), 1888 (2009) and 1889 (2009).

World Health Organization (WHO); and on human rights and older persons with the Department of Economic and Social Affairs.

32. In relation to Security Council resolution 1888 (2009) on women and peace and security, OHCHR participates in a team of experts (Department of Peacekeeping Operations, UNDP), in close collaboration with UN-Women. Staff can be rapidly deployed to situations of particular concern with respect to sexual violence in armed conflict.

33. OHCHR continues to strengthen and institutionalize its collaboration with regional organizations. The Office engages in regular meetings with the Council of Europe, and the establishment of a regional office in Brussels in October 2009 significantly enhanced OHCHR relations with the European Union, both in Brussels and at the Fundamental Rights Agency in Vienna. More systematic exchanges have also been taking place with inter-American institutions in both Washington and the field, as well as with the African Union at all appropriate levels.

34. Joint fact sheets and publications have also been produced with United Nations partners, including the following: the right to adequate housing, with the United Nations Human Settlements Programme (UN-Habitat); urban indigenous peoples and migration (UN-Habitat); the right to adequate food (Food and Agriculture Organization of the United Nations (FAO)); the right to water (WHO, UN-Habitat); and a joint publication with UNDP entitled "Marginalized minorities in development programming" for the United Nations country teams, multilateral organizations, States and civil society.

35. The civil society section of OHCHR entered into discussions with non-governmental organizations in late 2009, to better understand their information needs. A communication strategy was developed, in consultation with non-governmental organizations, to improve dissemination of information and outreach relating to human rights. Improvements are foreseen in a new web page design, timely information sharing via an e-mail broadcast service, more briefings, increased accessibility of information, including through an audio handbook for civil society, leaflets to highlight the role of human rights mechanisms and better use of the media to reach a broader audience with OHCHR publications.

36. Roles and responsibilities of partners were also further clarified. Substantial progress was made on the negotiation of a revised and updated memorandum of understanding with UNDP. The United Nations High Commissioner and the UNDP Administrator established a joint task force at the Directors' level to revise and update the 1998 memorandum of understanding to strengthen the framework of development cooperation between the two organizations. OHCHR and the United Nations Educational, Scientific and Cultural Organization (UNESCO) are moving towards the adoption of a protocol to the existing memorandum of understanding between the two organizations. The protocol will identify concrete areas for cooperation and common actions, particularly in relation to the right to education and the right to culture.

37. Lastly, OHCHR concluded a partnership agreement with the International Organization of la Francophonie to strengthen cooperation and information sharing. The agreement included common concerns related to the struggle against racism, racial discrimination, xenophobia and related intolerance, the promotion of diversity, democratic governance, human rights education and women's and

children's rights, and initiatives to strengthen national human rights protection systems. Two seminars to strengthen regional processes and develop national action plans against racism and racial discrimination were convened in late 2009 in the context of that agreement.

E. Management challenges

38. Three recommendations in the OIOS report highlighted the need to improve internal coordination and communication and the identification and documentation of critical work processes. OIOS recognized substantial progress in the implementation of the three recommendations.

39. OHCHR agreed with the need to improve internal coordination, communication and work processes and has proceeded with the organizational effectiveness programme since 2010 to address those challenges. OHCHR has improved internal coordination, communication and intra-organizational procedures. The terms of reference for the senior management team have been streamlined, to simplify, clarify and speed up internal decision-making processes. A new system for ensuring the rapid approval of recommendations by the United Nations High Commissioner is in place, and a new tracking system to provide online access to documentation and senior management team decisions is operational. The senior management team held a retreat to work on increased office-wide coherence and team-building activities to enhance overall performance.

40. The new procedure allows for staff members to raise office-wide issues for discussion at the senior management team meetings. A staff advisory group has been established to channel to senior management staff concerns and recommendations on matters relating to the organizational effectiveness programme and to monitor progress against milestones. More regular updates and an online bulletin board have been available since March 2010.

41. Recommendations on further improving internal communication have been made to senior management, including further sharing of information through Intranet sites (field-based and headquarters), and improving technology and overall accessibility; increasing the use of virtual communications technology to facilitate conference calls; strengthening face-to-face communications; and centrally advertising regular meetings for easier access.

42. With regard to the identification and documentation of critical work processes, through the organizational effectiveness programme OHCHR has identified four critical areas to be streamlined with a view to making them more effective. Those areas include recruitment, strategic planning, mission preparation procedures and simplification of documentation clearances processes. Recommendations for the improvement of internal recruitment procedures are already under consideration for approval.

43. The strategic planning process has been simplified and streamlined. Results-based management is being pursued vigorously, and OHCHR continues to invest in building a culture of results across the Office. OHCHR is developing a new web-based performance monitoring system that supports evidence-based office-wide monitoring and reporting, and is currently piloting training modules for field presences.

III. Conclusion

44. OHCHR has made significant progress in addressing opportunities for improvements identified by the Office of Internal Oversight Services in its report on the efficiency of the implementation of the mandate of the Office of the United Nations High Commissioner for Human Rights. Nearly half of the recommendations have already been implemented, and there is substantial progress towards full implementation. This progress has been possible through broad collaboration efforts, both internally and externally. Interdependence on many human rights issues, compounded with increased demands on OHCHR, has required a great deal of flexibility and a pro-active approach to reach the current level of implementation. Regarding outstanding recommendations, the substantial progress made so far on all remaining recommendations is a strong indication that OHCHR will meet its implementation target date at the end of 2011.

Annex

Summary of recommendations and status of implementation

*Recommendations**	*Status: Implemented (8) In progress (11) (April 2011)*	*Necessary actions for full implementation*
1. Further sharpen the strategic focus of Office. In finalizing and implementing the strategic management plan for 2010-2011, OHCHR should identify organizational priorities and critical activities that will maximize its comparative advantages and lead to more efficient implementation of its mandate. Specifically, OHCHR should:		
(a) Identify fewer and more specific planned accomplishments	Implemented	—
(b) Continue to develop clear links among the strategic management plan, the strategic framework and the workplans for its divisions and field presences	In progress	⇨ Completion of users' training on the performance monitoring system
		⇨ Ongoing collection of inputs from new performance monitoring system
		⇨ Ongoing coaching on system development and adjustments to IT system
(c) Reassess the current allocation of resources across its divisions, including reviewing the balance of activities among field presences and between headquarters and the field	In progress	⇨ Completion of discussions on budget allocation process
(d) Consider ways of improving the monitoring and assessment of the human rights situation around the world in order to better inform its own strategic decisions	Implemented	—
2. Develop an overarching field strategy document. OHCHR should, in consultation with partners, develop an overarching field strategy document that takes into account individual field presence strategies, sets out specific objectives of its field operations and assigns priorities to its key field activities. Specifically, OHCHR should:		
(a) Conduct an assessment of the relative advantages and disadvantages of the various types of field presence, paying particular attention to the resource intensive and sometimes sensitive country office model	In progress	⇨ Completion of consultations to assess roles and capacities of different types of field presences

Recommendations[a]	*Status: Implemented (8) In progress (11) (April 2011)*	*Necessary actions for full implementation*
(b) Establish explicit entry and exit criteria	In progress	⇨ Completion of deployment strategy
(c) Provide support from headquarters sufficient to ensure consistency in the nature and content of the advice, resources, tools and information provided to and by staff in the field presences	In progress	⇨ Lessons drawn from the assessment of current field protection strategies ⇨ Completion of assessments of field presence roles and capacities
(d) Convey this strategy to partner organizations at both the field and headquarters levels to ensure that the objectives and methods of OHCHR field operations are well understood	In progress	⇨ Sustained sharing of field related policies with UNDG, UNDP, DPA, DPKO ⇨ Completion of field related policies
3. Improve the effectiveness of work with the human rights bodies. OHCHR should improve the effectiveness of its work with the human rights bodies by:		
(a) Supporting systematic reporting and follow-up of the recommendations made by the human rights bodies	In progress	⇨ Periodic updates of the HR Index with recommendations from the universal periodic review and other information from special procedures
(b) Establishing more effective linkages between the work of the human rights bodies and other areas of OHCHR, including the Field Operations and Technical Cooperation Division, and among the human rights bodies themselves	In progress	⇨ Completion of the evaluation on human rights mechanisms ⇨ Completion of the treaty body strengthening process
4. Further strengthen partnerships. OHCHR should further strengthen its partnerships by:		
(a) Specifying the objectives and modalities for its interactions with partners	Implemented	—
(b) Improving coordination with partners, including governmental entities, entities within the United Nations system and civil society organizations	Implemented	—
(c) Identifying durable links at the organizational level to support partnerships	Implemented	—
(d) Specifying strategies for enhancing mutual complementarities	Implemented	—

Recommendations[a]	*Status* *Implemented (I)* *In progress (II)* *(April 2011)*	*Necessary actions for full implementation*
(e) Clarifying roles and responsibilities for all partners	Implemented	—
(f) Re-establishing a memorandum of understanding with the United Nations Development Programme	Implemented	—
5. Improve internal coordination and communication. OHCHR should improve internal coordination and communication by:		
(a) Strengthening links across divisions and branches to ensure a coordinated approach to cross-cutting issues and to ensure that in-house expertise is used to maximum effect	In progress	⇨ Implementation of internal communication strategy ⇨ Identify coordination opportunities across divisions
(b) Enhancing the mechanisms for in-house communication and participation, including, but not limited to, the establishment of regular staff meetings	In progress	⇨ Implementation of internal communication strategy
6. Identify and document all critical work processes. OHCHR should identify all critical work processes that have not yet been documented and take steps to document them. Both headquarters and field presence work processes should be included in this effort and the documentation made available to all relevant staff	In progress	⇨ Completion of the review of work processes relating to country visits and missions; production and clearance of materials

Note: IT — information technology; UNDG — United Nations Development Group; UNDP — United Nations Development Programme; DPA — Department of Political Affairs; DPKO — Department of Peacekeeping Operations; HR Index — Universal Human Rights Index.

[a] See A/64/203 and Corr.1.